Money

FOR YOU, YOUR FAMILY, YOUR FUTURE

YOUR HOME: 5 Easy Ways to Add Value P. 47

The Best Mutual Funds Money Can Buy

P. 60

PLUS

HOW'D YOU DO IN 2006?

Rankings for 1,000 Top Funds

P. 78

How to Be a Grown-Up About Debt

P. 35

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Equity Income Fund	12.72%	9.42%	10.14%
Lipper Equity Income Funds Average	11.74%	8.31%	8.89%
Growth Stock Fund	11.29%	7.72%	9.33%
Lipper Large-Cap Growth Funds Average	3.53%	3.60%	5.37%
Spectrum Growth Fund	11.54%	10.94%	8.71%
Lipper Multi-Cap Core Funds Average	8.38%	7.41%	8.20%
Value Fund	14.82%	10.43%	10.99%
Lipper Multi-Cap Value Funds Average	11.14%	9.85%	9.35%

Current performance may be lower or higher than the quoted past performance, which cannot guarantee future results. Share price, principal value, and return will vary, and you may have a gain or loss when you sell your shares. To obtain the most recent month-end performance, call us or visit our Web site. Request a prospectus or a briefer profile; each includes investment objectives, risks, fees, expenses, and other information that you should read and consider carefully before investing. All mutual funds are subject to market risk, including possible loss of principal.

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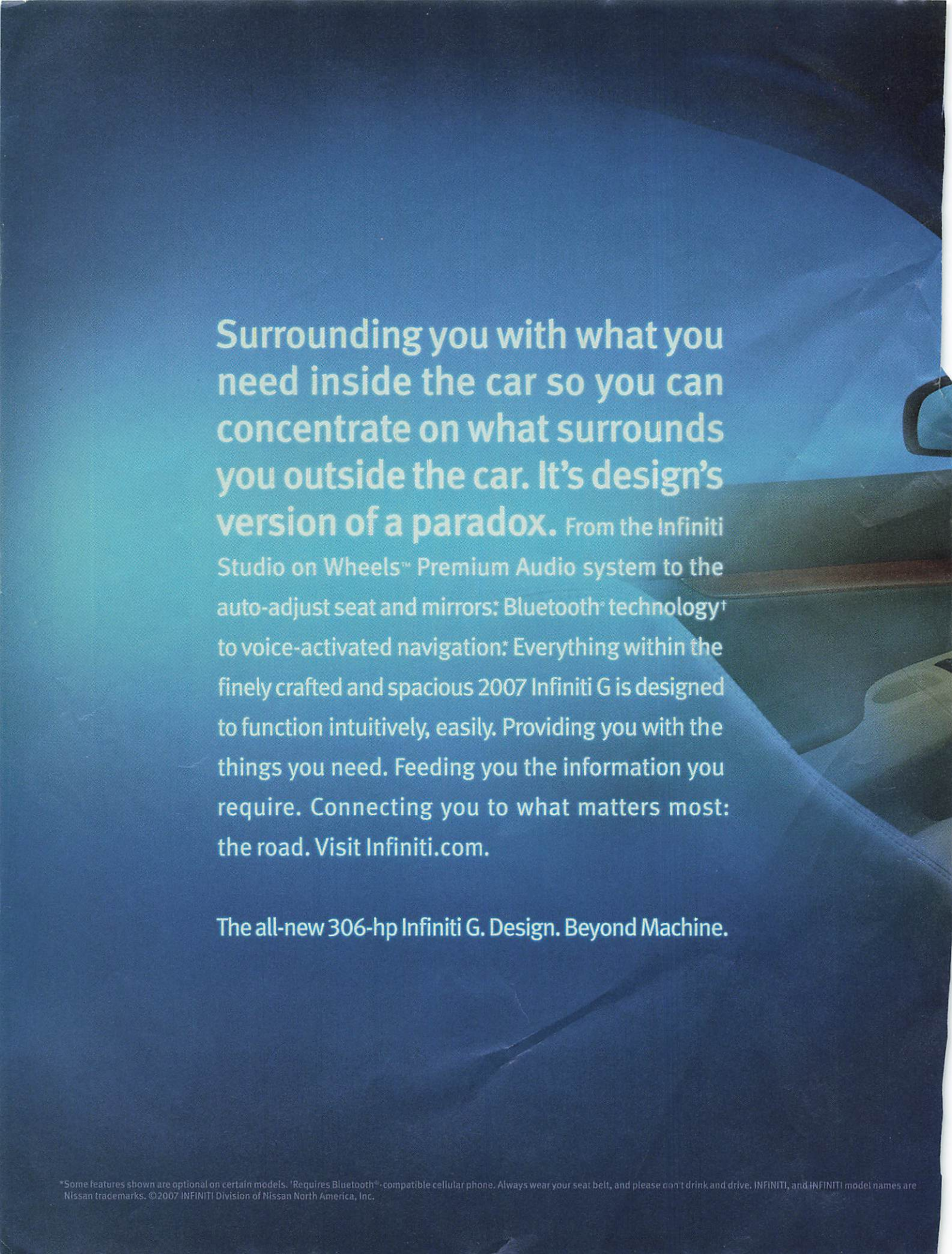
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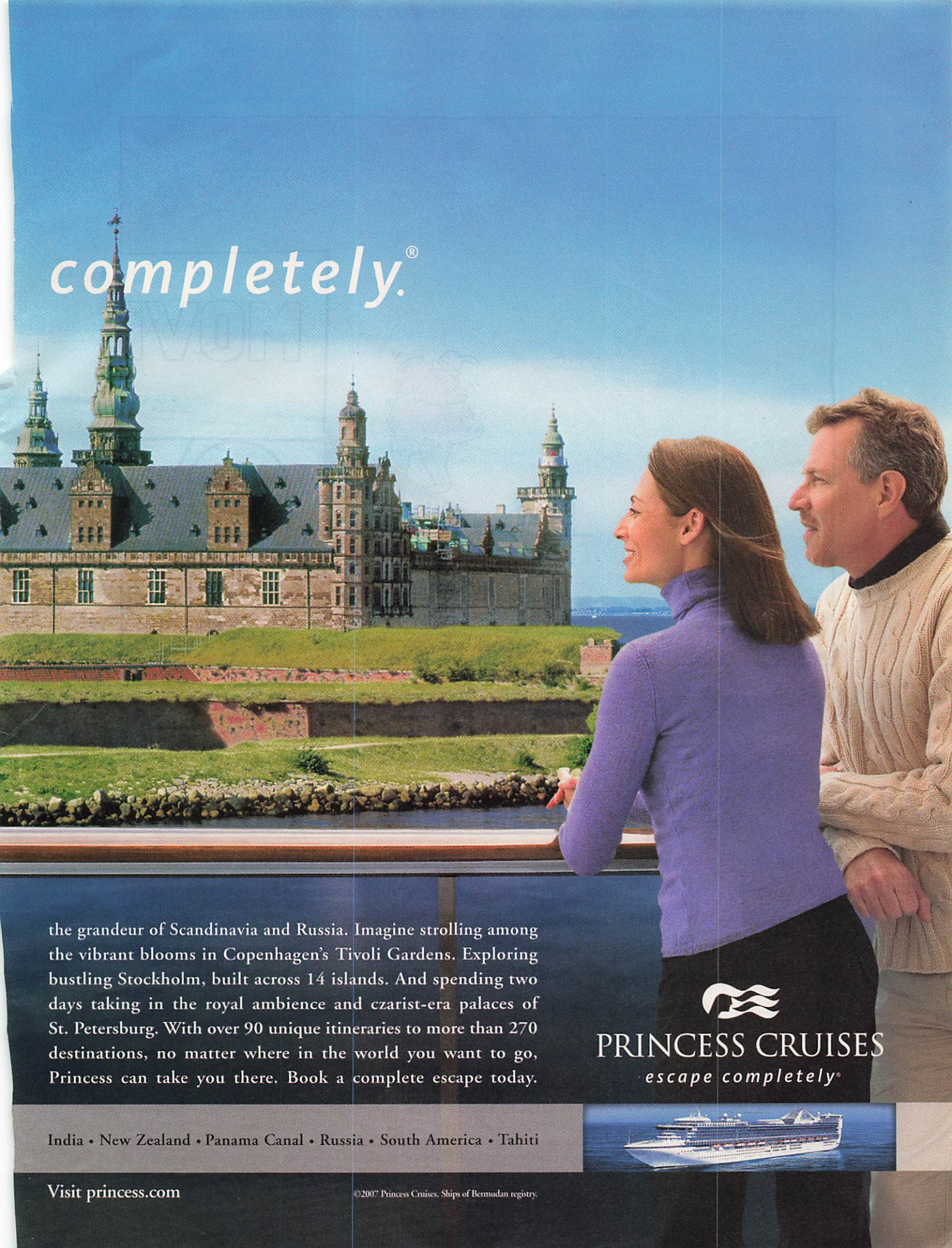

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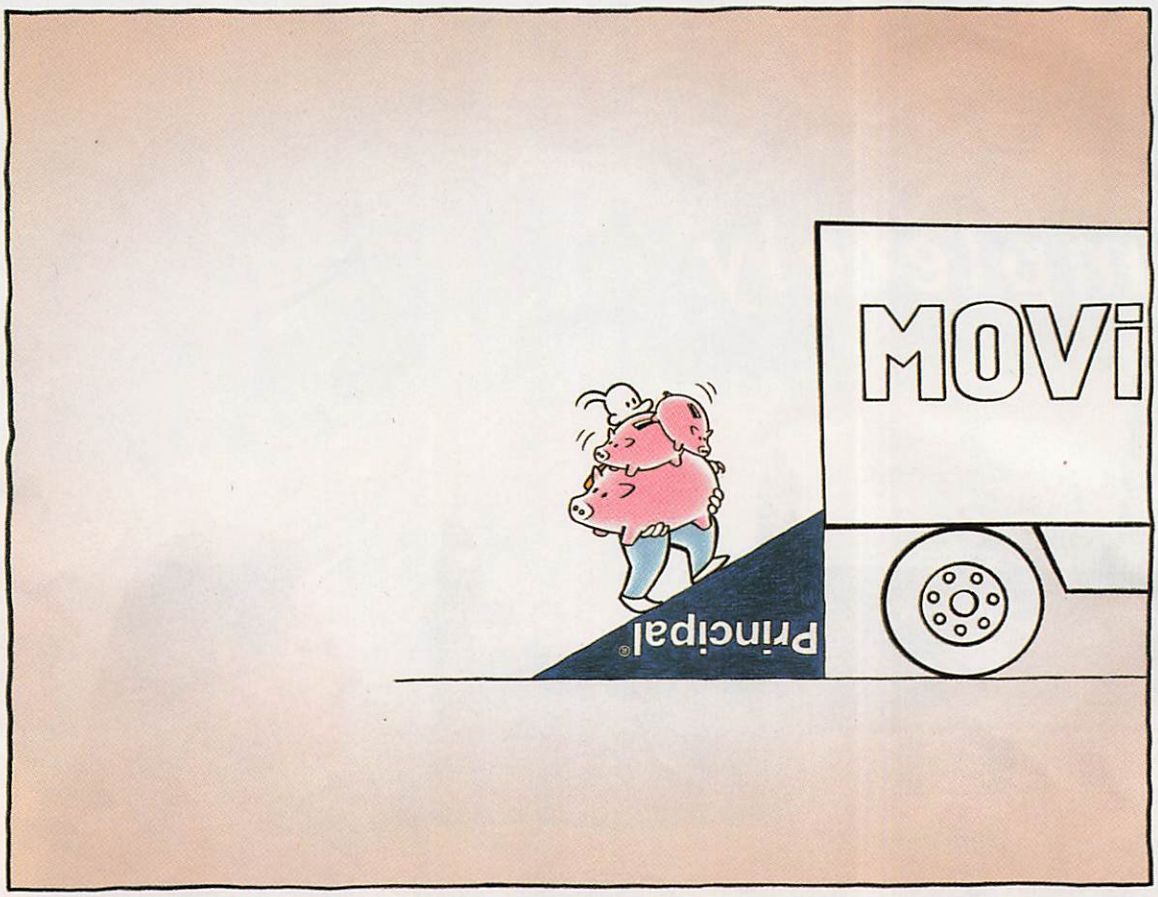

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contents.02.07

YOUR HOME: 5 Easy Ways to Add Value
Money
FOR YOU, YOUR FAMILY, YOUR FUTURE
The Best Mutual Funds Money Can Buy
PLUS
HOW'D YOU DO IN 2006?
Rankings for 1,000 Top Funds
How to Be a Grown-Up About Debt

on the cover

Invest to Win 2007

60 The Best Mutual Funds You Can Buy Our favorite funds are built to last—no matter what the market brings. Use them to create a rock-solid portfolio that will get you to your goals. BY PENELOPE WANG

68 The Perfect Money Makeover See how we deployed our top funds to craft investing plans for five very different families; do likewise to secure your own financial future. BY ASA FITCH, AMANDA GENGLER, JOSH HYATT AND DONNA ROSATO

78 Fund Scorecard MONEY's exclusive annual report on the funds you care most about.

COVER CREDITS:
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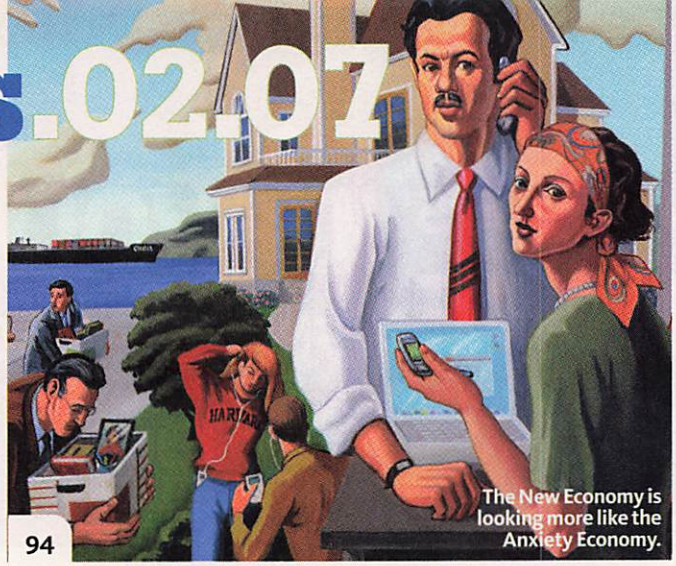
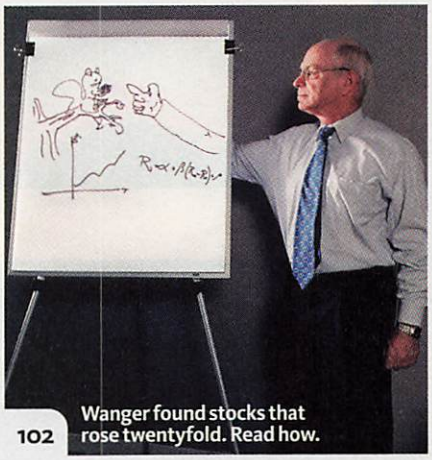


features

94 Is It Time for a *New* New Deal? Americans are prosperous but worried—about jobs, health care, retirement. Now some in Washington are asking if life really needs to be this risky. BY PAT REGNIER

102 Winning the Home Run Hitter's Game Acorn's Ralph Wanger reveals what it takes to beat the market with small-cap stocks. BY JASON ZWEIG



105 The Future Has Four Doors The big sedan is back. These top-of-the-line models offer surprising style, performance and luxury at less than luxury prices. BY SAM GROBART

112 Life at 8 Knots Stefanie Alley is proud to be a lobsterman. So are her son and her husband. As were his father and his father's father. But now the family wonders: Will the price of upholding tradition be their own financial security? BY PAUL KEEGAN

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Clockwise from top: JT Morrow; Rob Howard; Chris Buck

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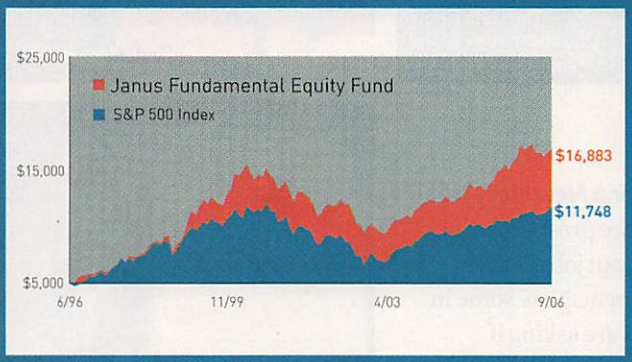

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Data presented reflects past performance, which is no guarantee of future results. Investment results and principal value will fluctuate so that shares, when redeemed, may be worth more or less than their original cost. Due to market volatility, current performance may be higher or lower than the performance shown. Call your financial advisor or visit janus.com for performance current to the most recent month-end.

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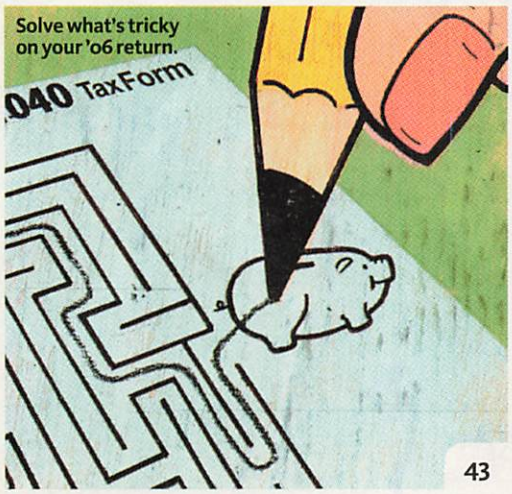
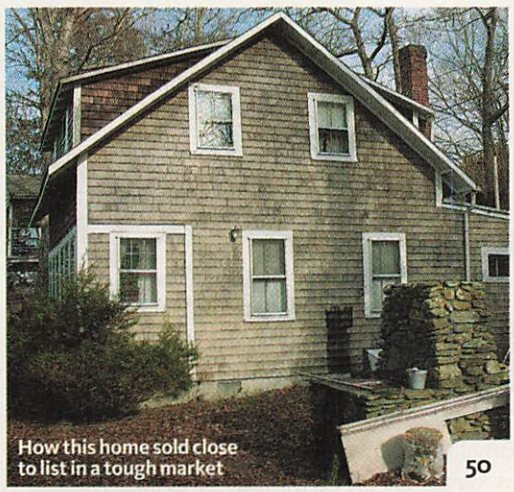
FEBRUARY *2007*
VOLUME *36* NUMBER *2*

14 **Index**
18 **Editor's Note**
20 **Talk Back**
126 **The Numbers**
Stocks
132 **Cashing Out**

Be there for the next dramatic play. 23



43



How this home sold close to list in a tough market 50

From top: Ray Stubblebine/Reuters/Corbis; Dan Page

start

23 **Tip of the Month** Three ways to score a hard-to-get ticket. BY ASA FITCH

25 **Help Your Realtor Help You** Make sure your real estate agent puts your interests first. BY STEPHEN GANDEL

26 **Money Helps** BY ELLEN McGIRT

28 **Do the Right Thing** Your child gets a cash gift. Who decides what to do with it? BY JEANNE FLEMING AND LEONARD SCHWARZ

30 **Your Money & Your Life** In today's hot stock market, you better keep your cool. BY JEAN CHATZKY

plan

35 **Being a Grown-Up About Debt** Overwhelmed by what you owe? The key is to change the way you think about money. BY GEORGE MANNES

38 **On the Job** Occasionally, work life will hand you lemons—that's a given. It's up to you to squeeze some career cred out of the situation. BY SAM GROBART

40 **Savings and Credit** With rates stalled and maybe falling, short-term bond funds look good. BY CAROLYN BIGDA

43 **Do It Now** Gear up for new tax savings on your 2006 return. BY TRACY BYRNES

44 **The Long View** Easy ways (really) to save more than $400,000 for retirement. BY WALTER UPDEGRAVE

home

47 **Small Projects That Pay Off Big** Make your home more appealing to buyers with these five simple do-it-yourself upgrades. BY ARIANNE COHEN

50 **They Got How Much?** Going once, twice...sold! How to use an auction to speed up a sale. BY KATE NUGENT

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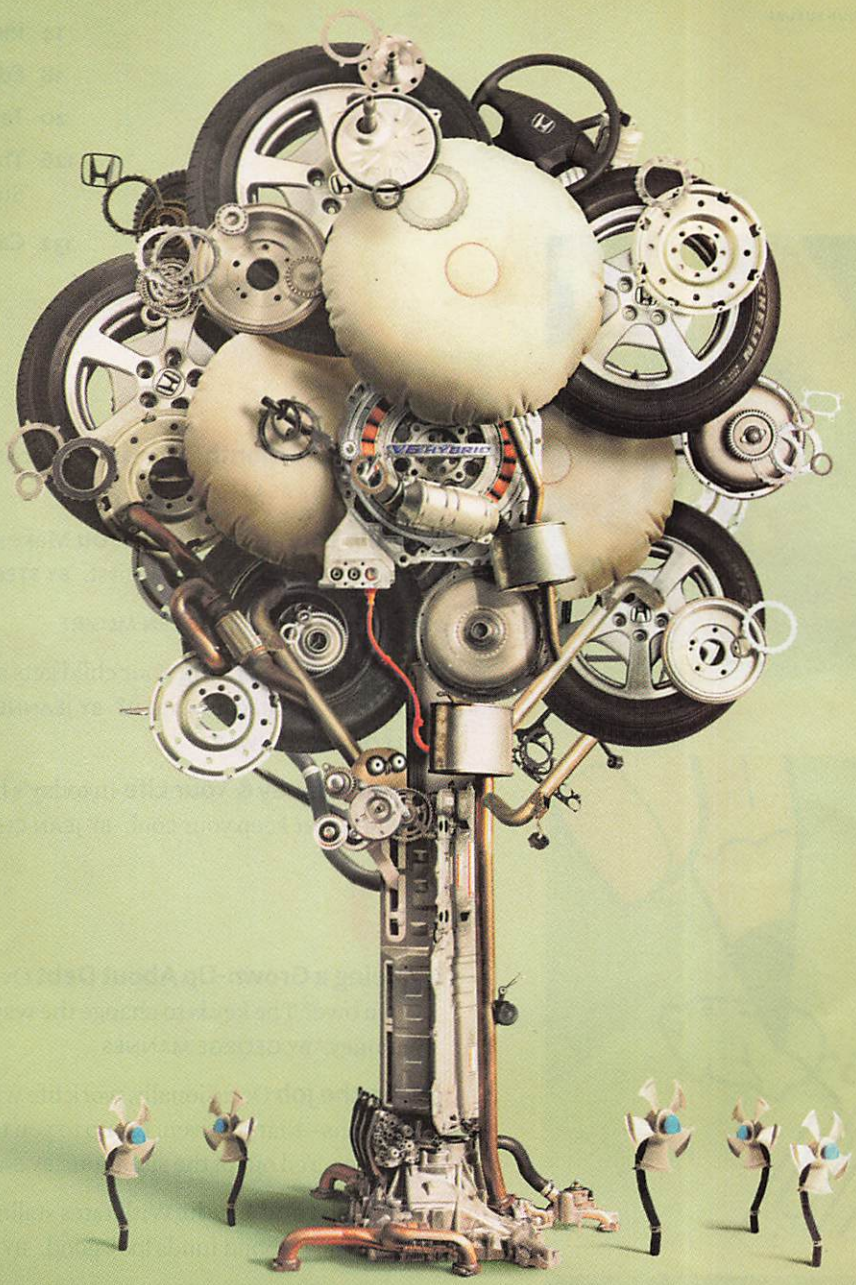

Green, through and through.

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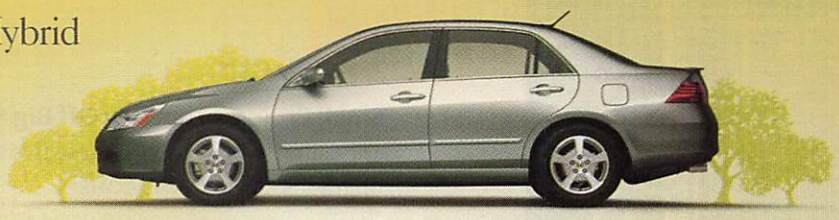

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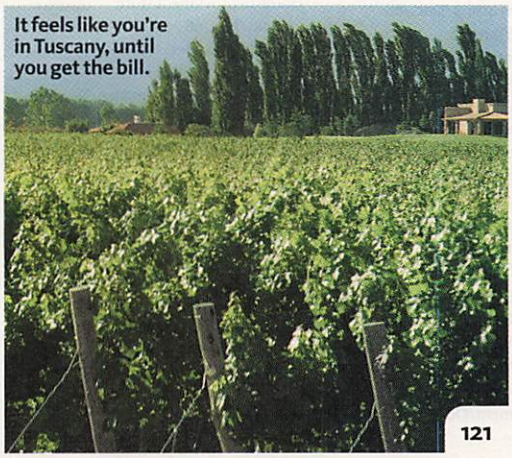
FEBRUARY *2007*
VOLUME *36* NUMBER *2*

The market leaders Sivy likes 58



It feels like you're in Tuscany, until you get the bill. 121

invest

53 **Contrary Medicine** Health-care stocks are in the dumps. All the more reason to keep a healthy dose of them in your portfolio. BY PAUL R. LA MONICA

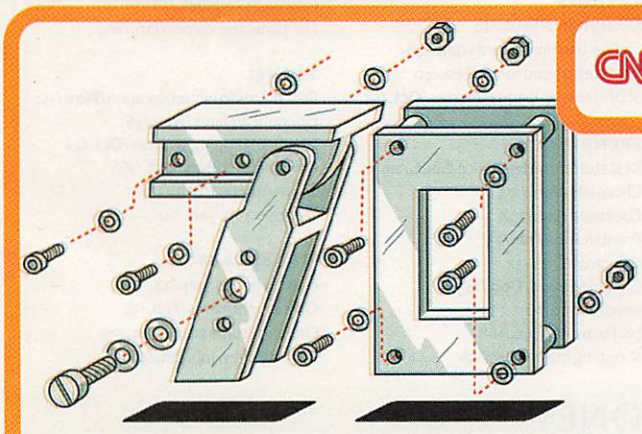
56 **Answer Guy** Are stocks that pay 10% dividends too risky? Why should I care about fund expenses? BY GEORGE MANNES

58 **Sivy on Stocks** Low prices, ample dividends and smart business plans give Bank of America and DuPont the chance for further gains. BY MICHAEL SIVY

spend

121 **Where the Dollar Hasn't Gone South** Sick of crummy exchange rates in Europe? To get the most value out of your next vacation, head to South America. BY CAROLYN BIGDA

124 **Field Test** With Valentine's Day just around the corner, five boxes of chocolate undergo a serious taste test. BY CHARLES PASSY



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MONEY 70 Funds The editors' picks

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Money

FEBRUARY 2007
VOLUME 36 NUMBER 2

index

Having trouble finding your favorite articles? Not a problem: Stories from the past five months are listed below. Subscribers can also check out these and other MONEY stories at cnnmoney.com/magazine.

BORROWING
Borrowing without banks/**Dec.**/39
Home-equity lines of credit/**Dec.**/76

CARS
Full-size sedans/**Feb.**/105
Warranties/**Nov.**/38

CHARITABLE GIVING
Picking a charity/**Dec.**/57
Solicitations at work/**Nov.**/54

CREDIT
Debit-card rewards/**Dec.**/58
Debt recovery/**Feb.**/35
Rewards cards/**Nov.**/59

EDUCATION
Back-to-school finances/**Sept.**/53
College admissions/**Oct.**/34/**Dec.**/47
College debt/**Sept.**/98
Discounted textbooks/**Sept.**/24
Financial aid/**Jan.**/43
529 plans/**Jan.**/23

FAMILY FINANCES
Adult children moving home/**Jan.**/32
Baby expenses/**Oct.**/51
Couples and gift giving/**Feb.**/39
Empty-nesters/**Nov.**/49
Recovering from illness/**Oct.**/41
Senior-sandwich generation/**Oct.**/37
Sibling rivalry/**Oct.**/52
Special-needs children/**Dec.**/42
Spender vs. saver/**Sept.**/39
Teen celebrations/**Sept.**/34

HEALTH CARE
At-home medical tests/**Oct.**/55
50 ways to cut health-care costs/**Nov.**/124
Flexible spending accounts/**Feb.**/24
Medical negligence/**Jan.**/30
Medicare prescription drug plan/**Dec.**/56
Open enrollment/**Nov.**/31
Rising drug costs/**Sept.**/25
Sleep problems/**Nov.**/136
Winter colds and flu/**Sept.**/45

INSURANCE
Health insurance claims/**Feb.**/26

INVESTMENT STRATEGIES
Analyst estimates/**Sept.**/78
Buying first mutual fund/**Nov.**/62
Corporate raiders/**Oct.**/75
Exchange-traded funds/**Nov.**/107
Growth stocks at a discount/**Nov.**/92
International investing/**Jan.**/57
Investing in a hot market/**Feb.**/30
January effect/**Jan.**/64
Old stock certificates/**Sept.**/75
Perfect makeovers/**Feb.**/68
Real estate in portfolio/**Nov.**/77
Value investing/**Sept.**/65
What stock prices mean/**Dec.**/96
Year-end fund distributions/**Nov.**/32

MINDS OVER MONEY
Charles Schwab/**Jan.**/88
Ralph Wanger/**Feb.**/102

MONEY MANAGEMENT
Are you on track?/**Jan.**/68
Automatic payments/**Jan.**/26
Automating finances/**Oct.**/49
Background check on yourself/**Nov.**/57
Economic risks/**Feb.**/94
Emergency fund vs. HELOC/**Nov.**/52
Financial scams/**Nov.**/112
Forecast 2007/**Dec.**/104
Income instability/**Jan.**/29
Living paycheck to paycheck/**Jan.**/35
Money made easy/**Nov.**/96
New year's resolutions/**Jan.**/25
Privacy guide/**Dec.**/121
Secrets to success/**Sept.**/84
Small-claims court/**Dec.**/128
35 most outrageous fees/**Jan.**/81
25 rules to grow rich by/**Nov.**/103
2007 planner/**Dec.**/117
Wealth myths/**Sept.**/93
Year-end financial planning/**Dec.**/53

ONE FAMILY
Adopting in retirement/**Oct.**/154
Congressional candidate/**Nov.**/142
Katrina evacuees/**Sept.**/112
Lobsterman/**Feb.**/112
Six children/**Dec.**/136
Terrorism victim/**Jan.**/96

REAL ESTATE/HOME
Buyer's brokers/**Feb.**/25
Buyer's market strategies/**Nov.**/44
Buying a second home/**Sept.**/55
Energy-saving tips/**Jan.**/53
Green building/**Jan.**/51
Home office/**Oct.**/59
Home-price forecasts/**Dec.**/108
Home staging/**Dec.**/74
Online appraisals/**Sept.**/61
Online home auctions/**Feb.**/50
Property taxes/**Oct.**/72
Realtor commissions/**Nov.**/40,72
Renovation lessons/**Dec.**/67
Renovations that hurt value/**Sept.**/62
Rent vs. buy/**Oct.**/70
Slow-market strategies/**Oct.**/27
Stuck with a second home/**Nov.**/65
Weekend renovations/**Feb.**/47
Winterizing your home/**Dec.**/32

RETIREMENT
Annuities/**Sept.**/106
Best places to retire/**Oct.**/142
Cash-balance pension plans/**Dec.**/50
Company stock in 401(k)/**Dec.**/86
Early retirement/**Jan.**/62
Exotic investments/**Sept.**/48
Federal Thrift Savings Plan/**Dec.**/62
401(k) fees/**Feb.**/28
403(b) plans/**Dec.**/40
Health and retirement/**Nov.**/53
Income in retirement/**Oct.**/106
Investments for the long term/**Oct.**/132
Living in retirement/**Sept.**/special booklet
Lost 401(k)s/**Oct.**/32
Pension reform/**Oct.**/29
Planning strategies/**Oct.**/124
Roth 401(k)s/**Feb.**/37
Saving more money/**Feb.**/44
Spending in retirement/**Oct.**/117
Teaching adult children/**Jan.**/48
Threats to retirement/**Oct.**/96

SAVINGS
Money funds/**Sept.**/44
Online-banking security/**Jan.**/46
Short-term bond funds/**Feb.**/40
Short-term vs. long-term rates/**Oct.**/54

SPENDING
Best stuff at the best price/**Sept.**/119
Chocolate/**Feb.**/124
Cookware/**Jan.**/108
Event tickets/**Feb.**/23
Gift cards/**Dec.**/32
Gift guide 2006/**Dec.**/145
Jewelry/**Oct.**/163
Leaf blowers/**Oct.**/168
Shopping malls/**Nov.**/156
Store refunds/**Jan.**/41
Tailgating/**Oct.**/166
Turkey/**Nov.**/32

STOCKS/BONDS/FUNDS
Bank of America/**Feb.**/58
Bond funds/**Oct.**/88
Dell/**Nov.**/80
DuPont/**Feb.**/58
Energy stocks/**Nov.**/80
Fund expenses/**Feb.**/56
Fund scorecard 2006/**Feb.**/78
Health-care companies/**Feb.**/53
Hedge funds/**Dec.**/33/**Jan.**/24
Home improvement store stocks/**Jan.**/66
Income funds/**Dec.**/81
Index funds/**Sept.**/68
Manager underperformance/**Nov.**/88
Meridian funds/**Dec.**/89
MONEY 70/**Feb.**/60
Renewable-energy funds/**Nov.**/83
Stable-value funds/**Oct.**/83
Ultra-high dividends/**Feb.**/56
Yahoo/**Dec.**/89

TAXES
Fast refunds/**Feb.**/24
Phone tax refund/**Sept.**/24
Tax Court/**Nov.**/170
2006 filing tips/**Feb.**/43

TECHNOLOGY
Compact photo printers/**Nov.**/158
Fake websites/**Oct.**/28
Flat-panel televisions/**Jan.**/104

TRAVEL
Best places to winter vacation/**Nov.**/152
Discount air fares/**Nov.**/36
Luggage shipping services/**Oct.**/28
Off-season cruises/**Oct.**/166
South America/**Feb.**/121
Travel secrets/**Jan.**/90

WORKPLACE
Holiday bonus/**Jan.**/24
Office nightmares/**Feb.**/38
Online-résumé scam/**Dec.**/36
Starting a new job/**Jan.**/40

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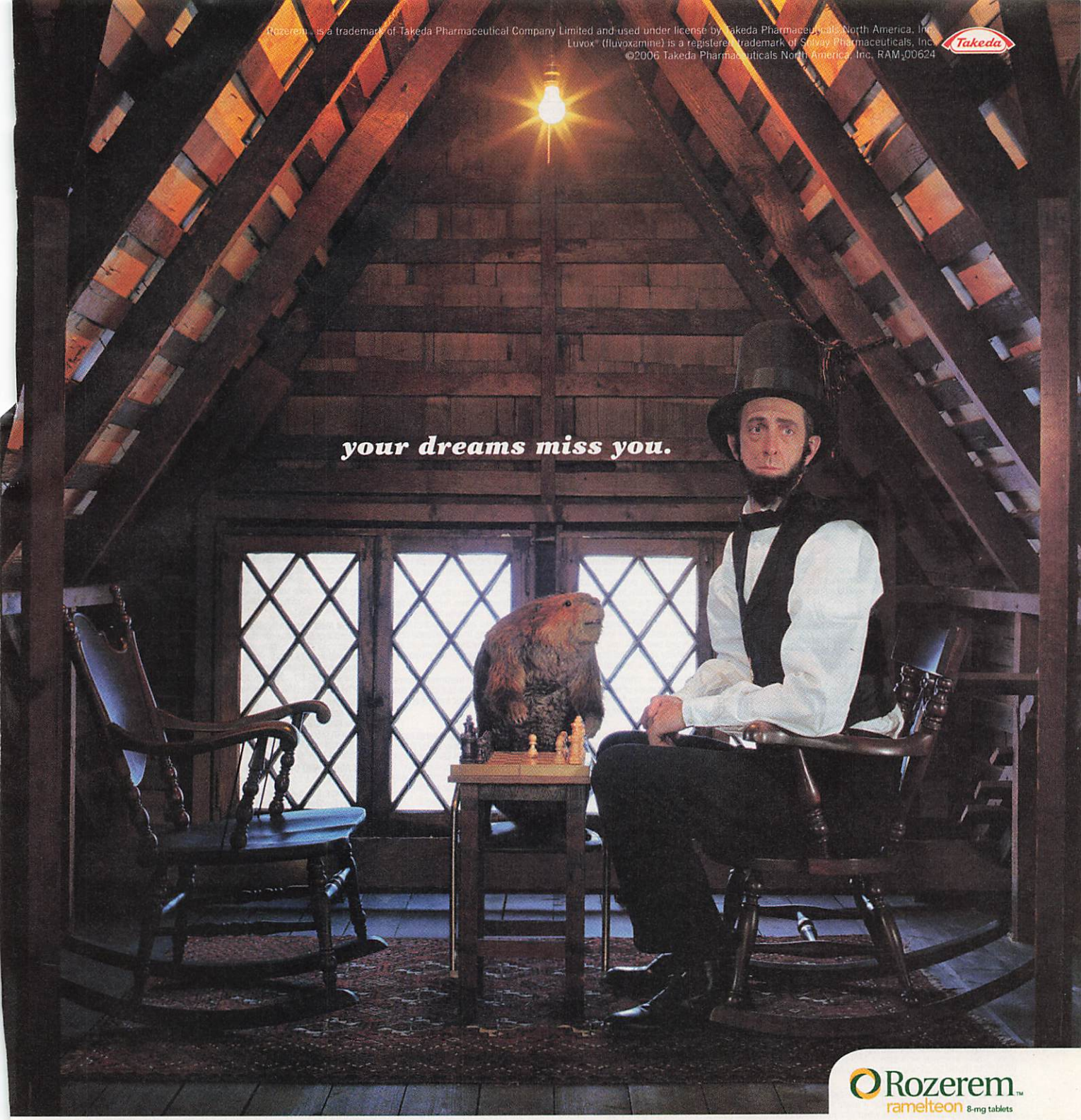

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Brief Summary of Prescribing Information

ROZEREM™
(ramelteon) Tablets

INDICATIONS AND USAGE
ROZEREM is indicated for the treatment of insomnia characterized by difficulty with sleep onset.

CONTRAINDICATIONS
ROZEREM is contraindicated in patients with a hypersensitivity to ramelteon or any components of the ROZEREM formulation.

WARNINGS
Since sleep disturbances may be the presenting manifestation of a physical and/or psychiatric disorder, symptomatic treatment of insomnia should be initiated only after a careful evaluation of the patient. The failure of insomnia to remit after a reasonable period of treatment may indicate the presence of a primary psychiatric and/or medical illness that should be evaluated. Worsening of insomnia, or the emergence of new cognitive or behavioral abnormalities, may be the result of an unrecognized underlying psychiatric or physical disorder and requires further evaluation of the patient. As with other hypnotics, exacerbation of insomnia and emergence of cognitive and behavioral abnormalities were seen with ROZEREM during the clinical development program.

ROZEREM should not be used by patients with severe hepatic impairment.

ROZEREM should not be used in combination with fluvoxamine (see **PRECAUTIONS: Drug Interactions**).

A variety of cognitive and behavior changes have been reported to occur in association with the use of hypnotics. In primarily depressed patients, worsening of depression, including suicidal ideation, has been reported in association with the use of hypnotics.

Patients should avoid engaging in hazardous activities that require concentration (such as operating a motor vehicle or heavy machinery) after taking ROZEREM.

After taking ROZEREM, patients should confine their activities to those necessary to prepare for bed.

PRECAUTIONS
General
ROZEREM has not been studied in subjects with severe sleep apnea or severe COPD and is not recommended for use in those populations.

Patients should be advised to exercise caution if they consume alcohol in combination with ROZEREM.

Use in Adolescents and Children
ROZEREM has been associated with an effect on reproductive hormones in adults, e.g. decreased testosterone levels and increased prolactin levels. It is not known what effect chronic or even chronic intermittent use of ROZEREM may have on the reproductive axis in developing humans (see **Pediatric Use**).

Information for Patients
Patients should be advised to take ROZEREM within 30 minutes prior to going to bed and should confine their activities to those necessary to prepare for bed.

Patients should be advised to avoid engaging in hazardous activities (such as operating a motor vehicle or heavy machinery) after taking ROZEREM.

Patients should be advised that they should not take ROZEREM with or immediately after a high fat meal.

Patients should be advised to consult their health care provider if they experience worsening of insomnia or any new behavioral signs or symptoms of concern.

Patients should consult their health care provider if they experience one of the following: cessation of menses or galactorrhea in females, decreased libido, or problems with fertility.

Laboratory Tests
No standard monitoring is required.

For patients presenting with unexplained amenorrhea, galactorrhea, decreased libido, or problems with fertility, assessment of prolactin levels and testosterone levels should be considered as appropriate.

Drug Interactions
ROZEREM has a highly variable inter-subject pharmacokinetic profile (approximately 100% coefficient of variation in C_{max} and AUC). As noted above, CYP1A2 is the major isozyme involved in the metabolism of ROZEREM; the CYP2C subfamily and CYP3A4 isozymes are also involved to a minor degree.

Effects of Other Drugs on ROZEREM Metabolism
Fluvoxamine (strong CYP1A2 inhibitor): When fluvoxamine 100 mg twice daily was administered for 3 days prior to single-dose co-administration of ROZEREM 16 mg and fluvoxamine, the $AUC_{0\text{-}inf}$ for ramelteon increased approximately 190-fold, and the C_{max} increased approximately 70-fold, compared to ROZEREM administered alone. ROZEREM should not be used in combination with fluvoxamine (see **WARNINGS**). Other less potent CYP1A2 inhibitors have not been adequately studied. ROZEREM should be administered with caution to patients taking less strong CYP1A2 inhibitors.

Rifampin (strong CYP enzyme inducer): Administration of rifampin 600 mg once daily for 11 days resulted in a mean decrease of approximately 80% (40% to 90%) in total exposure to ramelteon and metabolite M-II, (both $AUC_{0\text{-}inf}$ and C_{max}) after a single 32 mg dose of ROZEREM. Efficacy may be reduced when ROZEREM is used in combination with strong CYP enzyme inducers such as rifampin.

Ketoconazole (strong CYP3A4 inhibitor): The $AUC_{0\text{-}inf}$ and C_{max} of ramelteon increased by approximately 84% and 36%, respectively, when a single 16 mg dose of ROZEREM was administered on the fourth day of ketoconazole 200 mg twice daily administration, compared to administration of ROZEREM alone. Similar increases were seen in M-II pharmacokinetic variables. ROZEREM should be administered with caution in subjects taking strong CYP3A4 inhibitors such as ketoconazole.

Fluconazole (strong CYP2C9 inhibitor): The total and peak systemic exposure ($AUC_{0\text{-}inf}$ and C_{max}) of ramelteon after a single 16 mg dose of ROZEREM was increased by approximately 150% when administered with fluconazole. Similar increases were also seen in M-II exposure. ROZEREM should be administered with caution in subjects taking strong CYP2C9 inhibitors such as fluconazole.

Interaction studies of concomitant administration of ROZEREM with fluoxetine (CYP2D6 inhibitor), omeprazole (CYP1A2 inducer/CYP2C19 inhibitor), theophylline (CYP1A2 substrate), and dextromethorphan (CYP2D6 substrate) did not produce clinically meaningful changes in either peak or total exposures to ramelteon or the M-II metabolite.

Effects of ROZEREM on Metabolism of Other Drugs
Concomitant administration of ROZEREM with omeprazole (CYP2C19 substrate), dextromethorphan (CYP2D6 substrate), midazolam (CYP3A4 substrate), theophylline (CYP1A2 substrate), digoxin (p-glycoprotein substrate), and warfarin (CYP2C9 [S]/CYP1A2 [R] substrate) did not produce clinically meaningful changes in peak and total exposures to these drugs.

Effect of Alcohol on Rozerem
Alcohol: With single-dose, daytime co-administration of ROZEREM 32 mg and alcohol (0.6 g/kg), there were no clinically meaningful or statistically significant effects on peak or total exposure to ROZEREM. However, an additive effect was seen on some measures of psychomotor performance (i.e., the Digit Symbol Substitution Test, the Psychomotor Vigilance Task Test, and a Visual Analog Scale of sedation) at some post-dose time points. No additive effect was seen on the Delayed Word Recognition Test. Because alcohol by itself impairs performance, and the intended effect of ROZEREM is to promote sleep, patients should be cautioned not to consume alcohol when using ROZEREM.

Drug/Laboratory Test Interactions
ROZEREM is not known to interfere with commonly used clinical laboratory tests. In addition, *in vitro* data indicate that ramelteon does not cause false-positive results for benzodiazepines, opiates, barbiturates, cocaine, cannabinoids, or amphetamines in two standard urine drug screening methods *in vitro*.

Carcinogenesis, Mutagenesis, and Impairment of Fertility
Carcinogenesis
In a two-year carcinogenicity study, B6C3F_1 mice were administered ramelteon at doses of 0, 30, 100, 300, or 1000 mg/kg/day by oral gavage. Male mice exhibited a dose-related increase in the incidence of hepatic tumors at dose levels ≥ 100 mg/kg/day including hepatic adenoma, hepatic carcinoma, and hepatoblastoma. Female mice developed a dose-related increase in the incidence of hepatic adenomas at dose levels ≥ 300 mg/kg/day and hepatic carcinoma at the 1000 mg/kg/day dose level. The no-effect level for hepatic tumors in male mice was 30 mg/kg/day (103-times and 3-times the therapeutic exposure to ramelteon and the active metabolite M-II, respectively, at the maximum recommended human dose [MRHD] based on an area-under-the-curve [AUC] comparison). The no-effect level for hepatic tumors in female mice was 100 mg/kg/day (827-times and 12-times the therapeutic exposure to ramelteon and M-II, respectively, at the MRHD based on AUC).

In a two-year carcinogenicity study conducted in the Sprague-Dawley rat, male and female rats were administered ramelteon at doses of 0, 15, 60, 250 or 1000 mg/kg/day by oral gavage. Male rats exhibited a dose-related increase in the incidence of hepatic adenoma and benign Leydig cell tumors of the testis at dose levels ≥ 250 mg/kg/day and hepatic carcinoma at the 1000 mg/kg/day dose level. Female rats exhibited a dose-related increase in the incidence of hepatic adenoma at dose levels ≥ 60 mg/kg/day and hepatic carcinoma at the 1000 mg/kg/day dose level. The no-effect level for hepatic tumors and benign Leydig cell tumors in male rats was 60 mg/kg/day (1,429-times and 12-times the therapeutic exposure to ramelteon and M-II, respectively, at the MRHD based on AUC). The no-effect level for hepatic tumors in female rats was 15 mg/kg/day (472-times and 16-times the therapeutic exposure to ramelteon and M-II, respectively, at the MRHD based on AUC).

The development of hepatic tumors in rodents following chronic treatment with non-genotoxic compounds may be secondary to microsomal enzyme induction, a mechanism for tumor generation not thought to occur in humans. Leydig cell tumor development following treatment with non-genotoxic compounds in rodents has been linked to reductions in circulating testosterone levels with compensatory increases in luteinizing hormone release, which is a known proliferative stimulus to Leydig cells in the rat testis. Rat Leydig cells are more sensitive to the stimulatory effects of luteinizing hormone than human Leydig cells. In mechanistic studies conducted in the rat, daily ramelteon administration at 250 and 1000 mg/kg/day for 4 weeks was associated with a reduction in plasma testosterone levels. In the same study, luteinizing hormone levels were elevated over a 24 hour period after the last ramelteon treatment; however, the durability of this luteinizing hormone finding and its support for the proposed mechanistic explanation was not clearly established.

Although the rodent tumors observed following ramelteon treatment occurred at plasma levels of ramelteon and M-II in excess of mean clinical plasma concentrations at the MRHD, the relevance of both rodent hepatic tumors and benign rat Leydig cell tumors to humans is not known.

Mutagenesis
Ramelteon was not genotoxic in the following: *in vitro* bacterial reverse mutation (Ames) assay; *in vitro* mammalian cell gene mutation assay using the mouse lymphoma $TK^{+/-}$ cell line; *in vivo/in vitro* unscheduled DNA synthesis assay in rat hepatocytes; and in *in vivo* micronucleus assays conducted in mouse and rat. Ramelteon was positive in the chromosomal aberration assay in Chinese hamster lung cells in the presence of S9 metabolic activation.

Separate studies indicated that the concentration of the M-II metabolite formed by the rat liver S9 fraction used in the *in vitro* genetic toxicology studies described above, exceeded the concentration of ramelteon; therefore, the genotoxic potential of the M-II metabolite was also assessed in these studies.

Impairment of Fertility
Ramelteon was administered to male and female Sprague-Dawley rats in an initial fertility and early embryonic development study at dose levels of 6, 60, or 600 mg/kg/day. No effects on male or female mating or fertility were observed with a ramelteon dose up to 600 mg/kg/day (786-times higher than the MRHD on a mg/m² basis). Irregular estrus cycles, reduction in the number of implants, and reduction in the number of live embryos were noted with dosing females at ≥ 60 mg/kg/day (79-times higher than the MRHD on a mg/m² basis). A reduction in the number of corpora lutea occurred at the 600 mg/kg/day dose level. Administration of ramelteon up to 600 mg/kg/day to male rats for 7 weeks had no effect on sperm quality and when the treated male rats were mated with untreated female rats there was no effect on implants or embryos. In a repeat of this study using oral administration of ramelteon at 20, 60 or 200 mg/kg/day for the same study duration, females demonstrated irregular estrus cycles with doses ≥ 60 mg/kg/day, but no effects were seen on implantation or embryo viability. The no-effect dose for fertility endpoints was 20 mg/kg/day in females (26-times the MRHD on a mg/m² basis) and 600 mg/kg/day in males (786-times higher than the MRHD on a mg/m² basis) when considering all studies.

Pregnancy: Pregnancy Category C
Ramelteon has been shown to be a developmental teratogen in the rat when given in doses 197 times higher than the maximum recommended human dose [MRHD] on a mg/m² basis. There are no adequate and well-controlled studies in pregnant women. Ramelteon should be used during pregnancy only if the potential benefit justifies the potential risk to the fetus.

The effects of ramelteon on embryo-fetal development were assessed in both the rat and rabbit. Pregnant rats were administered ramelteon by oral gavage at doses of 0, 10, 40, 150, or 600 mg/kg/day during gestation days 6 -17, which is the period of organogenesis in this species. Evidence of maternal toxicity and fetal teratogenicity was observed at doses greater than or equal to 150 mg/kg/day. Maternal toxicity was chiefly characterized by decreased body weight and, at 600 mg/kg/day, ataxia and decreased spontaneous movement. At maternally toxic doses (150 mg/kg/day or greater), the fetuses demonstrated visceral malformations consisting of diaphragmatic hernia and minor anatomical variations of the skeleton (irregularly shaped scapula). At 600 mg/kg/day, reductions in fetal body weights and malformations including cysts on the external genitalia were additionally observed. The no-effect level for teratogenicity in this study was 40 mg/kg/day (1,892-times and 45-times higher than the therapeutic exposure to ramelteon and the active metabolite M-II, respectively, at the MRHD based on an area-under-the-curve [AUC] comparison). Pregnant rabbits were administered ramelteon by oral gavage at doses of 0, 12, 60, or 300 mg/kg/day during gestation days 6-18, which is the period of organogenesis in this species. Although maternal toxicity was apparent with a ramelteon dose of 300 mg/kg/day, no evidence of fetal effects or teratogenicity was associated with any dose level. The no-effect level for teratogenicity was, therefore, 300 mg/kg/day (11,862-times and 99-times higher than the therapeutic exposure to ramelteon and M-II, respectively, at the MRHD based on AUC).

The effects of ramelteon on pre- and post-natal development in the rat were studied by administration of ramelteon to the pregnant rat by oral gavage at doses of 0, 30,100, or 300 mg/kg/day from day 6 of gestation through parturition to postnatal (lactation) day 21, at which time offspring were weaned. Maternal toxicity was noted at doses of 100 mg/kg/day or greater and consisted of reduced body weight gain and increased adrenal gland weight. Reduced body weight during the post-weaning period was also noticed in the offspring of the groups given 100 mg/kg/day and higher. Offspring in the 300 mg/kg/day group demonstrated physical and developmental delays including delayed eruption of the lower incisors, a delayed acquisition of the righting reflex, and an alteration of emotional response. These delays are often observed in the presence of reduced offspring body weight but may still be indicative of developmental delay. An apparent decrease in the viability of offspring in the 300 mg/kg/day group was likely due to altered maternal behavior and function observed at this dose level. Offspring of the 300 mg/kg/day group also showed evidence of diaphragmatic hernia, a finding observed in the embryo-fetal development study previously described. There were no effects on the reproductive capacity of offspring and the resulting progeny were not different from those of vehicle-treated offspring. The no-effect level for pre- and postnatal development in this study was 30 mg/kg/day (39-times higher than the MRHD on a mg/m² basis).

Labor and Delivery
The potential effects of ROZEREM on the duration of labor and/or delivery, for either the mother or the fetus, have not been studied. ROZEREM has no established use in labor and delivery.

Nursing Mothers
Ramelteon is secreted into the milk of lactating rats. It is not known whether this drug is excreted in human milk. No clinical studies in nursing mothers have been performed. The use of ROZEREM in nursing mothers is not recommended.

Pediatric Use
Safety and effectiveness of ROZEREM in pediatric patients have not been established. Further study is needed prior to determining that this product may be used safely in pre-pubescent and pubescent patients.

Geriatric Use
A total of 654 subjects in double-blind, placebo-controlled, efficacy trials who received ROZEREM were at least 65 years of age; of these, 199 were 75 years of age or older. No overall differences in safety or efficacy were observed between elderly and younger adult subjects.

ADVERSE REACTIONS
Overview
The data described in this section reflect exposure to ROZEREM in 4251 subjects, including 346 exposed for 6 months or longer, and 473 subjects for one year.

Adverse Reactions Resulting in Discontinuation of Treatment
Five percent of the 3594 individual subjects exposed to ROZEREM in clinical studies discontinued treatment owing to an adverse event, compared with 2% of the 1370 subjects receiving placebo. The most frequent adverse events leading to discontinuation in subjects receiving ROZEREM were somnolence (0.8%), dizziness (0.5%), nausea (0.3%), fatigue (0.3%), headache (0.3%), and insomnia (0.3%).

ROZEREM Most Commonly Observed Adverse Events in Phase 1-3 trials
The incidence of adverse events during the Phase 1 through 3 trials (% placebo, n=1370; % ramelteon [8 mg], n=1250) were: headache NOS (7%, 7%), somnolence (3%, 5%), fatigue (2%, 4%), dizziness (3%, 5%), nausea (2%, 3%), insomnia exacerbated (2%, 3%), upper respiratory tract infection NOS (2%, 3%), diarrhea NOS (2%, 2%), myalgia (1%, 2%), depression (1%, 2%), dysgeusia (1%, 2%), arthralgia (1%, 2%), influenza (0, 1%), blood cortisol decreased (0, 1%).

Because clinical trials are conducted under widely varying conditions, adverse reaction rates observed in the clinical trials of a drug cannot be directly compared to rates in clinical trials of other drugs, and may not reflect the rates observed in practice. The adverse reaction information from clinical trials does, however, provide a basis for identifying the adverse events that appear to be related to drug use and for approximating rates.

DRUG ABUSE AND DEPENDENCE
ROZEREM is not a controlled substance.

Human Data: See the CLINICAL TRIALS section, Studies Pertinent to Safety Concerns for Sleep-Promoting Agents, in the Complete Prescribing Information.

Animal Data. Ramelteon did not produce any signals from animal behavioral studies indicating that the drug produces rewarding effects. Monkeys did not self-administer ramelteon and the drug did not induce a conditioned place preference in rats. There was no generalization between ramelteon and midazolam. Ramelteon did not affect rotorod performance, an indicator of disruption of motor function, and it did not potentiate the ability of diazepam to interfere with rotorod performance.

Discontinuation of ramelteon in animals or in humans after chronic administration did not produce withdrawal signs. Ramelteon does not appear to produce physical dependence.

OVERDOSAGE
Signs and Symptoms
No cases of ROZEREM overdose have been reported during clinical development.

ROZEREM was administered in single doses up to 160 mg in an abuse liability trial. No safety or tolerability concerns were seen.

Recommended Treatment
General symptomatic and supportive measures should be used, along with immediate gastric lavage where appropriate. Intravenous fluids should be administered as needed. As in all cases of drug overdose, respiration, pulse, blood pressure, and other appropriate vital signs should be monitored, and general supportive measures employed.

Hemodialysis does not effectively reduce exposure to ROZEREM. Therefore, the use of dialysis in the treatment of overdosage is not appropriate.

Poison Control Center
As with the management of all overdosage, the possibility of multiple drug ingestion should be considered. The physician may contact a poison control center for current information on the management of overdosage.

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Kilruddery, County Wicklow,
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New York: *Aaron Gallagher (director), Ann Honomichl, Todd Kaplan, Diane Osgerchian, Leshai Ryals, Anne Toal*
San Francisco: *Lucy Wohltman (director), Mary Johnson, Ann Miller*
SALES DEVELOPMENT *Brian Maher, Susan Malat, Jason Sigalos (directors), Jonah Copiaco*
ADVERTISING OPERATIONS *Donna L. Clarke (director), Fausto Simoes (campaign manager), Michelle Chen, Aqueelah Grant, Jean-Marc Petit, Colleen Tully*

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Hong Kong: *Regina Ng (SVP), Beryl Chan, Katherine Chow (directors)*

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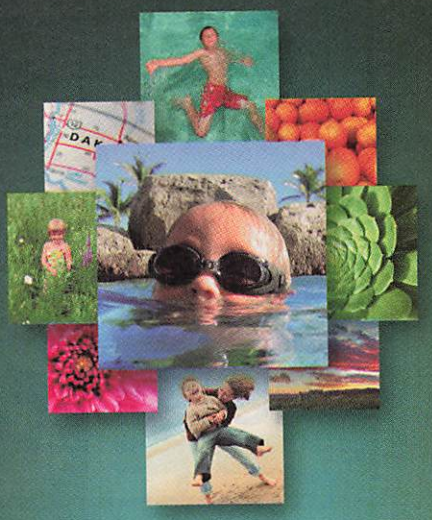

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Money

FEBRUARY 2007
VOLUME 36 NUMBER 2

talk back

SCRAPING BY ON $150,000 A YEAR
Money
FOR YOU, YOUR FAMILY, YOUR FUTURE
Are You On Track?
•WHERE YOU STAND FINANCIALLY
•WHERE YOU NEED TO BE
•HOW TO GET THERE
The 35 Most Outrageous Fees
(and how to avoid them)
Top Money Resolutions for 2007
(and how to keep them)

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After reading **"The 35 Most Outrageous Fees"** [January], I looked at my own Visa bill and noticed a $135 foreign service charge fee for booking a holiday in Canada. When I called the company, I received no explanation for the charge other than that it's the cost of doing business. I almost fell off my chair laughing. They were willing to remove the charge only when I threatened to close the account. Thanks for inspiring me to fight back!
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FEBRUARY 2007
VOLUME 36 NUMBER 2

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Photograph by Catherine Ledner

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The new hidden fee for home buyers 25 | "Where's my reimbursement?" *by Ellen McGirt* 26 | Reacting to the surging stock market *by Jean Chatzky* 30

TIP OF THE MONTH

The Last-Second Save—and other ticket strategies

By the time this issue hits newsstands, the Super Bowl will be long sold out and scalpers will be getting $10,000-plus a seat. Economic theory suggests, however, that the prices will come down between now and kickoff. While the Super Bowl may never become exactly affordable, the theory can help you score fairly priced tix to other hot events. Here's how:

>IF YOU'RE AHEAD OF THE GAME In fixing prices for hot tickets, box offices almost always create a mismatch between high demand and limited supply, says Princeton economist Alan Krueger. That's why they sell out so fast. To get tix at face value, you need privileged access. One way: Join an official fan club. Members often get dibs on presale.

>ONCE IT'S SOLD OUT In the secondary market—on Craigslist, eBay, RazorGator, StubHub and similar sites—prices rise and supply and demand balance out. Of course, demand goes to zero after the event, which explains what economists call the declining-price anomaly: You'll likely get the best secondary market price soon before the event, as vendors fret about unsold inventory.

>WHEN YOU'RE WILLING TO RISK IT You'll get a *better* price—maybe less than face value—buying from a scalper (so long as it's legal) after the event begins. Have the seller walk you to the gate to ensure you don't get a counterfeit ticket. —ASA FITCH

DON'T MISS A PLAY
Rams linebacker Mike Jones makes a game-ending tackle in Super Bowl XXXIV.

Ray Stubblebine/Reuters/Corbis

...**Maybe it doesn't buy happiness** Only **37%** of respondents said they'd be happier if they were wealthy, says a recent Gallup survey...

MONEY IN

Rush Your Refund

For the 70% of taxpayers who will get money back from the IRS this year, there are some surefire ways to speed up the wheels of bureaucracy.

- **START NOW** Filing early means the people who receive your return will be less busy and thus can process it faster.
- **FILE ELECTRONICALLY** This ensures that your return will be received the moment it's sent. Many software packages offer e-filing, usually for a fee ($8 to $32). C.P.A.s and other tax pros often include this service in their fees. But if your adjusted gross income is $52,000 or less, you can e-file for free (www.irs.gov/efile).
- **REQUEST DIRECT DEPOSIT** Direct refunds generally arrive in eight to 15 days, whereas a check can take up to six weeks. —KATE ASHFORD

MONEY OUT

Spend Your FSA Dollars

Putting money in a flexible spending account is a great way to turn health costs into tax savings. But it works only if you *spend* the cash in your account. Otherwise, you lose it.

- **WIPE OUT '06** Some 50% of companies with FSAs gave employees until March 15, 2007 to spend '06 funds, thanks to a recent ruling. If yours is among them and you have money left, spend it on anything from acupuncture to laser eye surgery to X-rays.
- **CLAIM ON '07** Not eligible for the grace period? Well, you can still go ahead and start using this year's money. Even though the dollars are deducted from your paycheck over the course of the year, the full amount is available immediately. —DONNA ROSATO

Money matrix WORTH THE RISK? WE DO THE MATH.

HIGH REWARD
LOW REWARD
LOW RISK
HIGH RISK
REBALANCING YOUR PORTFOLIO
Upside: Lowers risk; elevates sense of being in control
Downside: Let's face it: It's a pain.
JOINING THE OFFICE OSCAR POOL
Upside: Possible huge return, depending on size of pool
Downside: High likelihood of 100% loss
GIVING CHOCOLATES TO YOUR VALENTINE
Upside: Your sweetie will love you all the more (see page 124).
Downside: There's more of your sweetie to love.
DONATING OLD CLOTHES
Upside: Can turn tired Keds into tax savings
Downside: Riskier now, thanks to new IRS rules (see page 43)

LOVE AND MONEY

The Cost of Romance

$138
Average amount men will spend on V-Day gifts for their significant other
$74
Average amount women will spend on gifts for their significant other

Looks like Valentine's Day is an unrequited expense for guys. Not that they seem to mind: A third of men surveyed in the MONEY/ICR poll say they'd prefer their partner not get them anything.

Clockwise from top right: Getty Images; iStockphoto; Veer; John Kuczala; iStockphoto

...**Vertical price drop** Planning a ski trip? Check out the new website **Liftopia.com**, which offers advance lift tickets at up to 40% off...

REAL ESTATE

Is Your Realtor on Your Side?

Make sure your agent gets you the best house at the best price

BY STEPHEN GANDEL

When you're shopping for a house, it might appear that the friendly broker who listens to your needs, drives you around to showings and answers your questions is unflaggingly devoted to you. In reality, however, most agents work for sellers. Now, even more so. These days, see, agents representing buyers are increasingly being showered with extra incentives that may cause them to push certain houses.

Traditionally, sellers pay 6% commissions—3% to their agent, 3% to the buyer's agent. But with the market slowing, sellers are upping the slice going to buyer's agents. In Livingston, N.J., Rose-land Properties is offering 5% to buyer's brokers alone. And in Las Vegas, where prices are expected to drop significantly in 2007, American Homes West has upped what it pays buyer's brokers from $1,000 to $10,000, with an added $5,000 if the agent gets the buyer to pay full price. It's not just builders that are offering agent incentives; even individual homeowners, like Mohamad Khurram of Woodbridge, Va., are getting in on the trend. The reward for Khurram's $785,000 four-bedroom is 8% plus $5,000—that's nearly $70,000 to just the buyer's broker—if the house sells at listing price.

Those increased commissions draw agents and, in turn, buyers. "People offer higher commissions because it works," says Spencer Barron, a broker associate at HQHomes in Denver, who says houses in his area with higher commissions tend to get sold faster. Consumer advocates, however, fear that higher payouts mean buyers will be shown houses more in the brokers' interests than in their own. Even so-called buyer's brokers, agents who sign a contract saying they represent you, could be susceptible. "It's tough to be objective when the reward for selling one house is much greater than the rest," says Joseph Fox, whose BuySide Realty in Chicago rebates the larger fees to buyers.

Not that you have any way of knowing if you're being shown houses that give the broker added reward: The National Association of Realtors does not require agents to tell buyers their potential compensation when they show a house. Federal rules require the disclosure of fees at closing, but by that time it is often too late to pull out. There is some industry debate over whether parties should be required to come clean, but until it's resolved, you need to protect yourself. Choose one of these techniques to help ensure that the house you're shown is the best deal for *you*, not your broker.

1. GO IT ALONE Finding a house yourself, rather than relying on a broker, is easier than ever. Realtor.com has extensive listings, and you can call listing agents directly to set up appointments. Once you decide to buy, ask for 3% off your final price. Listing agents often try to collect the full 6% if a buyer is brokerless. But you did the work; you deserve the rebate.

2. SET THE FEE If you'd rather use a broker, have him put in writing what percentage he'll get paid and guarantee that it will be the same for every house. Tom Early, spokesman for the National Association of Exclusive Buyer Agents, says to sign a contract before looking at houses. Stipulate that any bonus being paid by a seller be used to pay closing costs.

3. PUT IT IN DOLLARS Eliminate all conflicts by getting your agent to agree to set dollar fee rather than a pe centage of the sale. That way your broker will have no incentive to show you over-priced homes or discourag you from negotiating the p down, since she'll get paid same either way. $

ILLUSTRATION BY MARK MATCHO

...Toaster not included Home buyers' No. 1 pick for an incentive, according to a survey by HouseHunt: having closing costs paid by the s

Way of Life!
govt. fees and dealer charges. ²Electronic Stability Program (ESP®) is
100,000-mile/7-year powertrain limited warranty. See dealer for complete warranty details.
cautions to avoid sharp turns and abrupt maneuvers. Always wear your seatbelt. For specific details, please read your
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start

do the right thing

BY JEANNE FLEMING, PH.D., AND LEONARD SCHWARZ

Is It Okay for Mom and Dad to Tap Gifts of Cash for Junior?

Q **For the past seven years, I've been giving my grandson $500 on his birthday for his college education. Now I've learned that my son and daughter-in-law (who both have good jobs) never saved the money for him but instead used it for household bills. They say it's their job to see that Liam gets an education, that all their money is in one "pot" and it makes no difference whether my checks go for tuition or groceries. Can this be ethical?**

Answer No. For starters, when a gift of money comes with the stipulation that it be used for a specific purpose, it's not ethical to keep the gift and ignore the stipulation. At the very least, your son and daughter-in-law should have asked for your blessing before spending the money. And then there are Liam's rights. Your gift wasn't for the family "pot," it was for him. Just because he's not old enough to object when Mom and Dad use the money to pay family bills doesn't mean it's okay for them to appropriate what's rightfully his.

More than principle is at stake here. As a practical matter, lots of things could prevent Liam's parents from being able to pay for college—a divorce, a layoff or an old-fashioned poor judgment, to name but a few. However honorable their intentions, they've undermined Liam's financial security by, in effect, giving themselves a loan with his money.

We suggest you open an education savings account or a 529 plan for Liam with a mutual fund company and then, in the future, tell him each time another $500 has been safely stowed away in it.

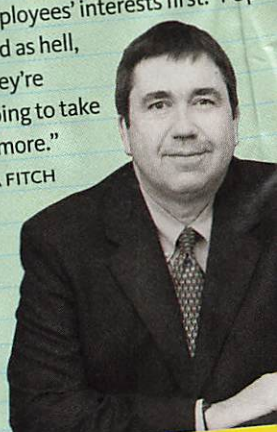
Questions about money and ethics? Our ethicists are consultants who advise attorneys on people's ethical beliefs. E-mail them at **right_thing@moneymail.com**.

On your side

Leading the way on 401(k) fees

Greg Carpenter
Mobile, Ala.

Ever wonder who pays for your 401(k) plan? No, sorry, not your employer. But how would you know? The true price of the typical 401(k) plan is hidden, partly because of revenue-sharing deals between the plan's mutual funds and its administrators. As a result, even most employers—who are supposed to negotiate the costs on your behalf—can't figure it out. Enter Employee Fiduciary, a small 401(k) provider that is taking an innovative approach to lowering costs. The strategy: Go paperless to save on administration expenses, allow plan sponsors to choose from the whole universe of funds and let everyone know up fro what it all costs. The company char $25 a year per participant (minimu $1,500 a year) vs. the standard $125 r head. Any fees it gets from particit- ing funds go to defray plan costs. :O Greg Carpenter, who co-foundede firm in 2004, is betting there is a growing market for 401(k) plans tat put employees' interests first: "Peple are mad as hell, and they're not going to take it anymore."
—ASA FITCH



...**The check was in the mail** $953 is the average refund awaiting the 95,746 taxpayers whose checks were returned as undeliverable in 2

ILLUSTRATION BY MICHAE

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2. SET THE FEE If you'd rather use a broker, have him put in writing what percentage he'll get paid and guarantee that it will be the same for every house. Tom Early, spokesman for the National Association of Exclusive Buyer Agents, says to sign a contract before looking at houses. Stipulate that any bonus being paid by a seller be used to pay closing costs.

3. PUT IT IN DOLLARS Eliminate all conflicts by getting your agent to agree to a set dollar fee rather than a percentage of the sale. That way your broker will have no incentive to show you overpriced homes or discourage you from negotiating the price down, since she'll get paid the same either way. **$**

...**Toaster not included** Home buyers' No. 1 pick for an incentive, according to a survey by HouseHunt: having closing costs paid by the seller...

ILLUSTRATION BY MARK MATCHO

unsolicited advice

FOR THE MOST-WANTED MAN ALIVE

24's Jack Bauer must find an agent—an insurance agent

G-man Jack Bauer (Kiefer Sutherland) is kidnapped, shot at *and* beaten several times a season as he fights to save the country from terrorists. Make that several times a day, as each season on Fox's hit show represents just 24 hours. Considering how dangerous his life is and the fact that he's got a kid to support, Bauer really needs to put some energy into investigating his insurance options, says Michael Halloran, wealth adviser at Northwestern Mutual Financial Network.

No time to be underinsured

>WHAT IF HE GETS HURT? As a government employee, he gets 60% disability coverage. That's a good start, but he should buy a supplemental plan to make up for the rest, says Halloran. Since he's in such a high-risk class, though, he'll likely qualify for only a few years of that extra income.

>WHAT IF HE, ER, DOESN'T MAKE IT TO THE NEXT 24? The government's basic group life insurance plan offers a lump sum of salary plus $2,000. "Since his wife's dead, he has to consider how his daughter would be taken care of," says Halloran. Bauer needs a will and a policy worth at least $250,000 to cover her college and any debts he has. He might not get the lowest rates, what with all the shooting, but surely, averting nuclear war earns him a decent salary? —JENNIFER MERRITT

money helps

BY ELLEN McGIRT

"Where Is Our Reimbursement?"

Q Last March my husband was treated at an urgent-care facility. Afterward **we called our health insurer to confirm that this was covered. (They said it was.) We mailed the receipt and waited to be reimbursed.** A month passed, and when I contacted PacifiCare, they said they'd never received it. I re-sent it and followed up twice more. Nothing. Months later, we still haven't seen a check. And the last time I phoned, I was told the claim was denied! Can you help? —Allyson Ranallo, Westlake Village, Calif.

Answer When we contacted PacifiCare, spokeswoman Cheryl Randolph immediately acknowledged that there were things amiss in the handling of your claim. Your paperwork, it seems, fell into a bureaucratic black hole.

See, PacifiCare's Southern California HMO policyholders choose a primary-care physician, who might belong to a medical group. PacifiCare often outsources claims payments to such groups, acting as the intermediary. Somewhere in the back-and-forth, your receipt may have taken a left turn into nowhere.

As for why you were told the claim was refused, Randolph was mystified. Your husband's visit was indeed covered by your policy. According to procedure, denials are supposed to be followed by a letter of explanation, but you never got such a communication.

Randolph owned up to PacifiCare's fault on both counts. "For whatever reason, it wasn't paid," she says, "and we apologize. There probably wasn't enough follow-up on our part." A representative of PacifiCare has since called you to convey this message; you were also—finally!—cut a check for the total bill of $171.

Medical billing screwups happen with appalling frequency, thus it's wise to think of each claim as a potential headache. Trade group America's Health Insurance Plans suggests keeping a paper trail and a phone log. Get the name and extension of each person you speak with and follow through. If nothing happens for 60 days, speak to the next level of supervisor. Climb the food chain until you get someone who recognizes the error. Also, file a complaint with your state insurance commissioner (find yours at naic.org), who may be able to help resolve the issue. $

TIP When you're told by phone to resend a claim, ask the rep if he or she will hold on while you fax it. That way, you'll be able to make sure it arrives.

REPORTING BY KATE ASHFORD

Having a financial nightmare?
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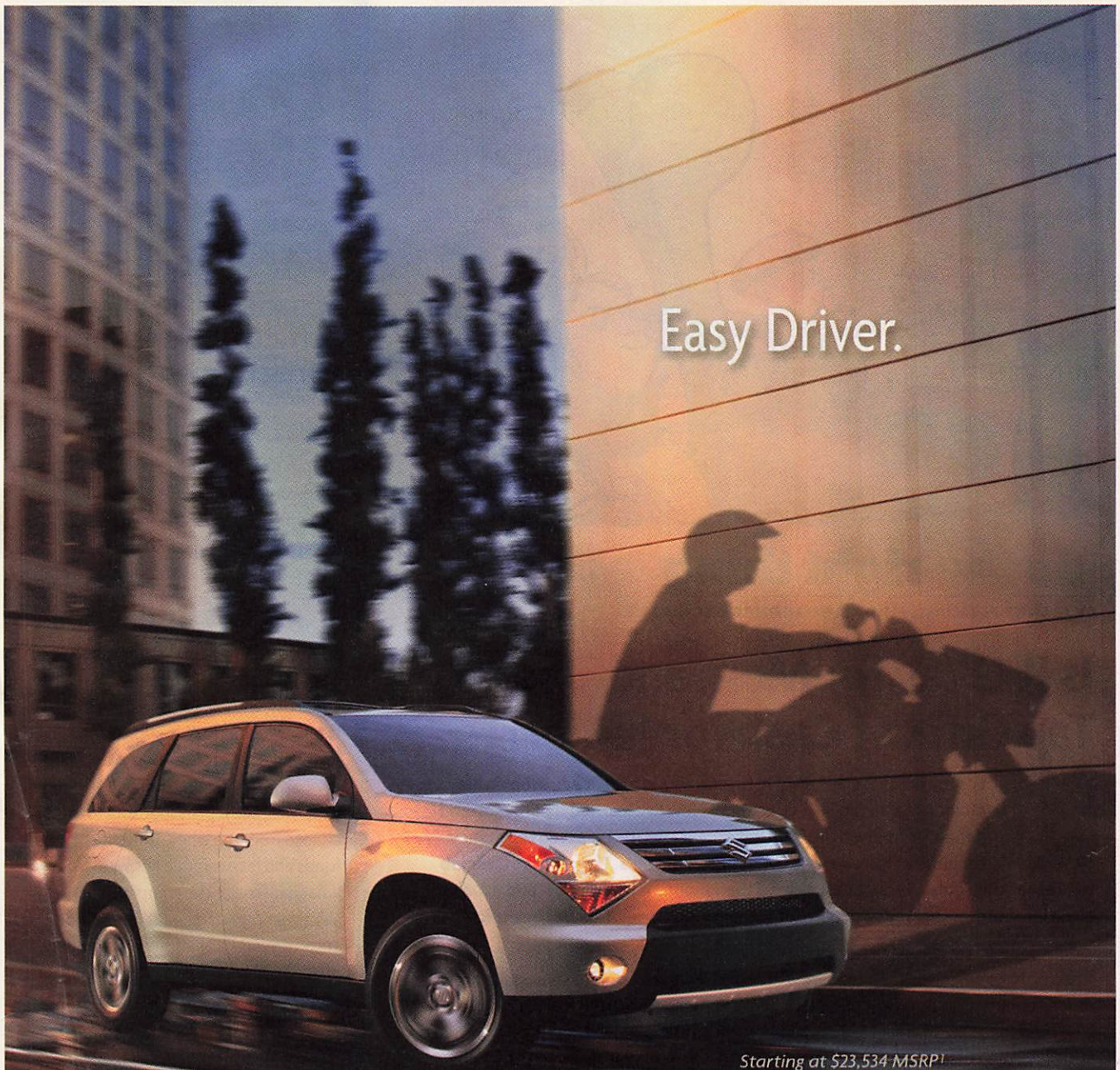
So far, Money Helps has saved readers
$179,575.14

...**As if she could find anything under that mess** 83% of people hide cash from their housekeeper, according to a survey done by Chubb...



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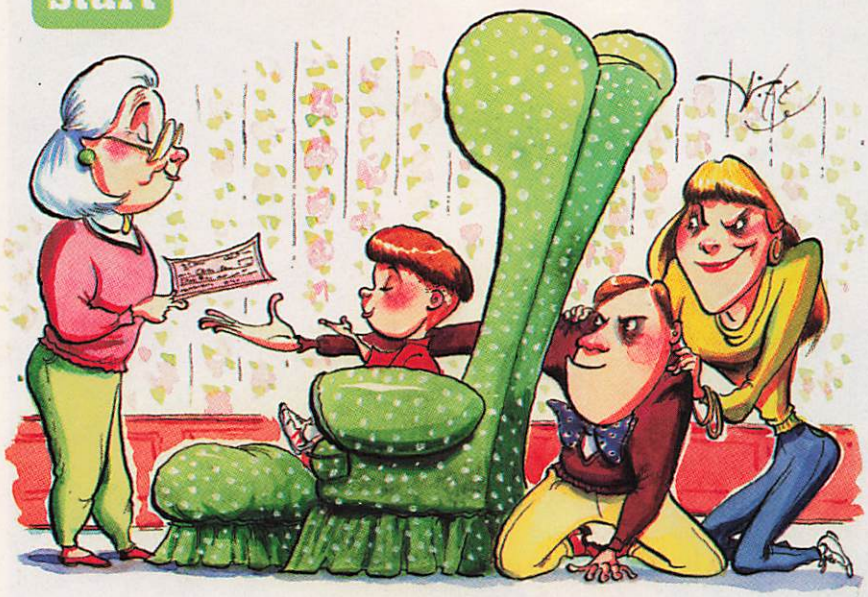


do the right thing

BY JEANNE FLEMING, PH.D., AND LEONARD SCHWARZ

Is It Okay for Mom and Dad to Tap Gifts of Cash for Junior?

Q **For the past seven years, I've been giving my grandson $500 on his birthday for his college education. Now I've learned that my son and daughter-in-law (who both have good jobs) never saved the money for him but instead used it for household bills. They say it's their job to see that Liam gets an education, that all their money is in one "pot" and it makes no difference whether my checks go for tuition or groceries. Can this be ethical?**

Answer No. For starters, when a gift of money comes with the stipulation that it be used for a specific purpose, it's not ethical to keep the gift and ignore the stipulation. At the very least, your son and daughter-in-law should have asked for your blessing before spending the money. And then there are Liam's rights. Your gift wasn't for the family "pot," it was for him. Just because he's not old enough to object when Mom and Dad use the money to pay family bills doesn't mean it's okay for them to appropriate what's rightfully his.

More than principle is at stake here. As a practical matter, lots of things could prevent Liam's parents from being able to pay for college—a divorce, a layoff or an old-fashioned poor judgment, to name but a few. However honorable their intentions, they've undermined Liam's financial security by, in effect, giving themselves a loan with his money.

We suggest you open an education savings account or a 529 plan for Liam with a mutual fund company and then, in the future, tell him each time another $500 has been safely stowed away in it.

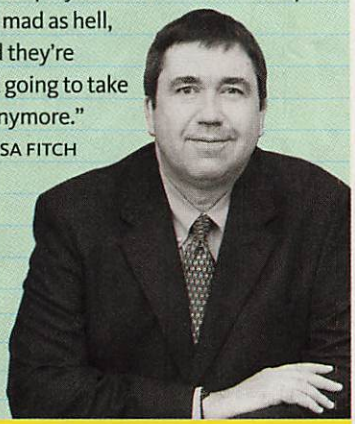
Questions about money and ethics? Our ethicists are consultants who advise attorneys on people's ethical beliefs. E-mail them at **right_thing@moneymail.com**.

On your side

Leading the way on 401(k) fees

Greg Carpenter
Mobile, Ala.

Ever wonder who pays for your 401(k) plan? No, sorry, not your employer. But how would you know? The true price of the typical 401(k) plan is hidden, partly because of revenue-sharing deals between the plan's mutual funds and its administrators. As a result, even most employers—who are supposed to negotiate the costs on your behalf—can't figure it out. Enter Employee Fiduciary, a small 401(k) provider that is taking an innovative approach to lowering costs. The strategy: Go paperless to save on administration expenses, allow plan sponsors to choose from the whole universe of funds and let everyone know up front what it all costs. The company charges $25 a year per participant (minimum: $1,500 a year) vs. the standard $125 per head. Any fees it gets from participating funds go to defray plan costs. CEO Greg Carpenter, who co-founded the firm in 2004, is betting there is a growing market for 401(k) plans that put employees' interests first: "People are mad as hell, and they're not going to take it anymore."
—ASA FITCH



Courtland W. Richards

...**The check was in the mail** **$953** is the average refund awaiting the 95,746 taxpayers whose checks were returned as undeliverable in 2006...

ILLUSTRATION BY MICHAEL WITTE

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American Century Investments

LIVESTRONG PORTFOLIOS

BY JEAN CHATZKY

In Today's Hot Market, Better Keep Your Cool

When stocks are soaring, your natural impulse is to take action. Problem is, that impulse is usually wrong.

Had enough of the gloom and doom in the news these days? Then check out the business section. There the tone is decidedly upbeat thanks to the stock market's performance since the summer. "Dow Breaks Record." "S&P Hits Six-Year High." "Dow Sets Another Record." In fact, when I Googled "Dow record 2006" in mid-December, I came up with 2.1 million hits in 0.16 seconds.

All this talk about records is likely to make you react in one of two ways. Which of these camps do you fall into?

a) *This is great. Stocks are rolling again. I've got to get in on the action big-time.*

b) *Uh-oh. I've seen this before. Time to bail.*

I have to confess that I tend toward the latter. When bonus pay for Wall Street firms scales new heights (as it did in '06) and there's not a lot of uninvested cash sitting in mutual funds (as there isn't now), and when survey after survey points to rising investor optimism (as has been happening lately—see the graphic below left), I start getting nervous that we have reached the top and that the fall could hurt.

But as someone who's been immersed in the world of money for going on two decades, I've learned that when your inclination is to jump in or out of the stock market with both feet, you are better off just taking a deep breath and going for a jog (or at least for a walk around the block). Let me explain.

No one can make market risk go away. It can't be done. For all the times that you're scared, there will be just as many when you feel almost giddy. Either state of mind is a terrible one in which to make a major decision about your investments. What you're feeling is a lack of control, and the way to get it back is not via a rash commitment that you'll only come to regret later. Instead, put some provisions in place that will keep your emotions from controlling you. Here are some examples.

Getty Images

BULLS ARE EVERYWHERE!

Time to cheer—or run? Historically, when 55% of investment newsletter writers are bullish, the market is often at a top. And we're now at...

14%
2006 return of the S&P 500

60%
Newsletter writers today **who see stocks rising**

56%
Bulls in January 2000 **before stocks crashed**

NOTES: S&P return as of Dec. 15. Newsletter data as of Dec. 12. SOURCES: Thomson/Baseline, Investor's Intelligence.

• Outsmart yourself

Brett N. Steenbarger, a clinical psychologist and author of *Enhancing Trader Performance*, explains that when we humans experience a powerful emotional event (and a big gain or loss in our wealth, even if it's just on paper, is one), our brains don't work the way they do when we're calm. During times like these, the

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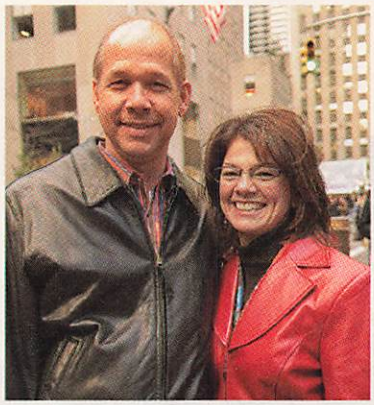
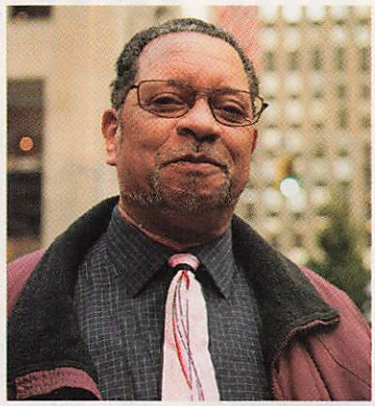
UNSCIENTIFIC SURVEY *by Amanda Gengler*

Are You a Bull or a Bear?



"A bull. Real estate will correct a bit, but everything else is moving along." —Cary (and wife Bonnie) Schwab, Fairfax, Va.

"I'm a bull, I'm a bull." —John Woram, Long Island, N.Y. (Dad Peter is too.)



"A bear. Times are changing, and things are going to get tough." —Lloyd Clunie Sr., Mount Vernon, N.Y.

analytical part of the brain shuts down, Steenbarger explains. So create a plan to keep yourself on the straight and narrow even when your brain fails you.

My advice: Dollar-cost average into the market month in and month out through your company's retirement plan or an automatic investment plan with a brokerage firm. If stocks go up, hey, great. If they go down, that's fine too. You're buying at cheaper prices.

And if your 401(k) offers automatic rebalancing to maintain your chosen asset allocation, by all means sign up for it. That'll help keep you from deciding, in the heat of the moment, to make drastic changes to your portfolio.

• Quit aiming for perfection

You'll be much better suited to investing (and come to think of it, to most other things in life) if you get over the impulse to try to nail it. Years of research by Terrance Odean, a finance professor at the University of California at Berkeley, show that individual investors tend to do themselves far more harm than good when they muck with their portfolios. On average, if they buy one stock and sell another, the one they sell goes on to do better than the one they buy. And those who try to time the market do worse, on average, than those who don't. Odean's recommendation: Let's not and say we did. "My advice is simply not to try to time the market. The average investor should buy well-diversified mutual funds that are fairly low cost," he explains. And then he suggests taking a truly long view. "Say to yourself, 'I'm investing for 20 years or 30 years, so I don't have to worry about getting it perfect this year. I don't have to worry about getting it right today.' "

You'll be better suited to investing (and come to think of it, to most other things in life) if you **get over the impulse to try to nail it.** People tend to do far more harm than good when they muck with their portfolios.

• Get help if you need it

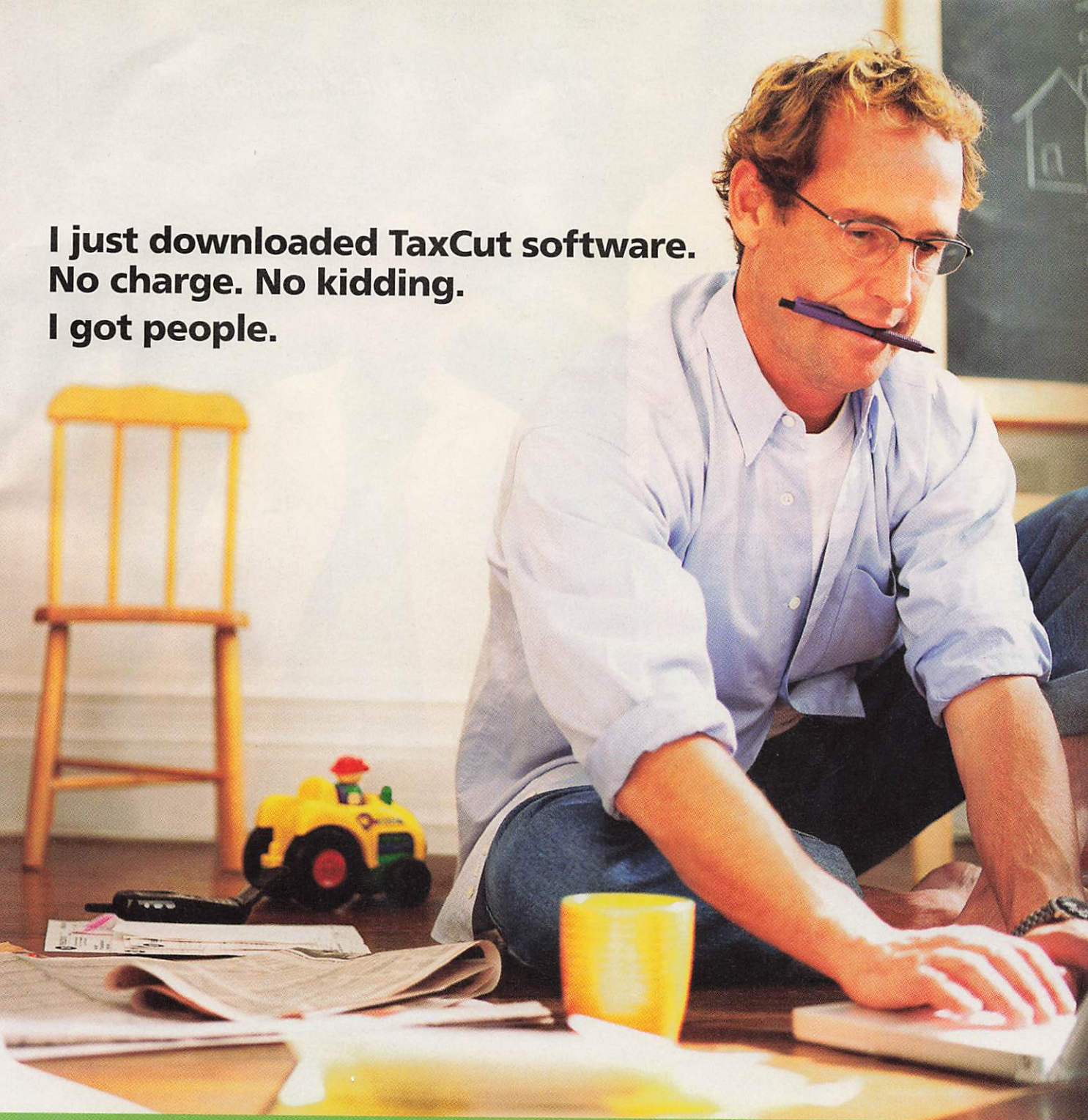
Look, if you were worrying about your heart, your marriage or your career, you'd very likely find someone—a cardiologist, a therapist, a coach—to help you. A good financial adviser can, at the least, prevent you from doing yourself harm. "There are times in our lives where we need someone else who will let you bounce ideas off them," says psychologist Frank Murtha, managing partner of Market Psychology Consulting. "If left to our own devices, we are often too susceptible to our own biases and bad ideas."

• Go to the movies

Or out to dinner. Or on that jog I mentioned. Stop paying so much attention to the daily movements in your portfolio, and focus a little more on your life. "It's unfortunate but true," Murtha notes. "But studies indicate that people who analyze their portfolios more frequently get too consumed with short-term statistics, and that's bad for the long term. You don't have to look at the value of your retirement account every day or even every other." Exercising every other day, on the other hand—now that's a bandwagon I can definitely get on. And you know something? When I'm out for one of my four-mile runs, my portfolio is the last thing on my mind. That's good for me and for my money. **$**

Editor-at-large Jean Chatzky appears regularly on NBC's Today. *Contact her at* **money_life@moneymail.com.**

PHOTOGRAPHS BY TOM ACKERMAN



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Turning work lemons into lemonade *by Sam Grobart* 38 | Gear up for tax filing 43 | Easy ways to save $400,000 *by Walter Updegrave* 44

REAL LIFE

Being Grown-Up About Debt

Stop kidding yourself: No plan will work until you change the way you think about money BY GEORGE MANNES

UNTIL LAST FALL, Jessica Jaquez-Trejo and Willy Trejo seemed to be living an idyllic life. The El Paso couple had good jobs—Jessica, 30, teaches reading at an elementary school; Willy, 32, is a product engineer—and together earned a comfortable $90,000 a year. They'd recently bought a three-bedroom home near their extended family. Best of all, two years after a doctor told Jessica that she would never be able to have children, the couple were preparing to celebrate their son Willito's first birthday.

PHOTOGRAPHS BY MATTHEW MAHON

So it came as a shock to Jessica when Willy, who handled their finances, told her they couldn't afford the $500 party she was planning. Says Jessica: "I thought he was just being cheap."

In fact, he was being realistic. Only three years earlier the couple had been nearly free of debt, but now they were drowning in it. In addition to the $76,000 they owed on their mortgage and the $30,000 in loans for their two cars, they owed $19,000 on eight maxed-out credit cards and another $9,000 in student and personal loans. And things were getting worse. Struggling to pay even the minimums, Willy was late on a Visa bill; his already high interest rate of 18% was jacked up to 32% as a penalty.

In the end, Willy reluctantly agreed to a scaled-down party for Willito. But the following week, when Jessica needed money to buy shoes for the baby, Willy, upset, told her that they didn't have any. "Put a balloon on his feet for socks," he said, "and cake on his chest for a shirt."

24%
of families with credit cards hardly ever pay their balances in full.
SOURCE: Federal Reserve Board.

There they were, earning nearly six figures but unable to spare $20 for baby clothes. The debt is "really overwhelming," says Willy. "I feel like I'm carrying a very big load."

It's a burden more and more Americans share. Since 1990, average credit-card debt has more than doubled, to $9,159, according to CardTrak.com. And it's not just young couples like the Trejos, buying their first homes and starting a family, who are in over their heads. The amount owed by people of retirement age has nearly doubled over the past few years as well. Blame easier access to credit, sure, but also today's "I want what he's got, gotta have it now" mentality. There's no shortage of repayment plans, but you'll never dig out unless you also change the attitude toward money that contributed to your getting into debt in the first place. These strategies should help.

Admit That You're the Problem Sometimes the reason you piled up debt is big, obvious and out of your control, such as a medical emergency or a layoff. But often it's a series of smaller expenses that seem like reasonable indulgences at the time but eventually add up to trouble. The Trejos, for example, charged the furniture for their new home. Then there was the trip they took to Phoenix in 2005. And the takeout food or restaurant meals (nothing fancy, mind you) that they eat a few times a week. Suddenly they were nearly $20,000 in the hole. "Little things got out of hand," says Jessica.

The bottom line: It's probably not your luck that's at fault, it's your Disneyland ideas about the lifestyle you can afford. "People are still trying to keep up with the Joneses, but they don't know how much in debt the Joneses are," says Gail Cunningham of Consumer Credit Counseling Service of Greater Dallas.

3 fast fixes

HOORAY: Mom and Dad paid off the plastic and are making progress on their other loans.

THE CREDIT CARDS ARE PAID. NOW WHAT?

NOW THAT THE TREJOS ARE MAKING HEADWAY in paying off their debts, they want to make sure they don't backslide. Sandra Shore, a senior counselor with nonprofit credit counseling agency Novadebt, offers this advice.

1 Follow the money. The Trejos should track their spending for a month, says Shore, to see whether the family budget that Willy has drawn up for them is realistic. Keeping a spending log will spotlight the areas they don't realize they're overspending on, so they can cut back as needed. "It's a self-correcting mechanism," says Shore.

2 Expect the unexpected. As the Trejos pay down their debts, they need to set aside enough cash each month so that unanticipated expenses don't force them to borrow again. For example, the couple haven't put aside any money specifically for medical expenses even though Jessica is pregnant with their second child.

3 Cut each other some slack. As tight as money may be, Shore encourages Willy and Jessica to make room in their budget for a monthly allowance for each of them to spend on whatever he or she wants, no questions asked. "They'll feel a little bit less deprived," she says.

Play Tricks on Yourself The next step, of course, is to stop the behavior that got you into trouble. Don't count on your willpower. Take the credit cards out of your wallet and lock them in a drawer to create a physical barrier between you and spending. That way you create a cooling-off period during which you may decide that your must-have purchase is something you can live without. For big purchases, save money in labeled envelopes and delay buying until you have the cash required.

Make Success Simple(r) Once you've put a brake on going further into debt, start making a dent in the amount you already owe. You're far more likely to make steady progress if you have a specific game plan to follow, rather than, again, just relying on willpower. The best strategy, if there's a wide spread in the interest rates on your debts: Pay off your highest-rate debt first, making the maximum monthly payment you can afford on that card and paying the minimum required on the rest. As the interest buildup on that card goes down, you'll automatically start paying down principal faster. Repeat the process with the next highest rate card and so on.

If the rate spread among your loans isn't big, pay off your smallest debt instead. The results feel more meaningful, and you'll get a psychological boost from paying off a card completely. "It encourages good behavior," says financial planner Scott Cole in Birmingham.

Beware the Easy Out To save on interest charges, the Trejos paid off all their cards last December with an 8.39% home-equity loan of $32,000. But while the strategy looks good in theory and is working for them so far, you want to be cautious about using low-rate home-equity financing to pay off plastic. Lower finance charges won't solve your debt problems if you don't also change your behavior. And unlike credit-card debt, home-equity debt puts your house at risk. If you backslide on credit-card repayment, you'll end up worse off than before, owing money on both your cards and your home.

Do It Now

Use cash, not credit for your everyday purchases. People spend less, on average, when they pay with paper, not plastic.

Get Help If Needed Rather than fight the battle alone, get help from a credit counselor, who can provide a firm hand on your shoulder, guiding you, devising a repayment plan and maybe negotiating lower rates with creditors. To find a legitimate agency, contact the Association of Independent Consumer Credit Counseling Agencies (aiccca.org) or the National Foundation for Credit Counseling (www.nfcc.org) and steer clear of up-front charges of more than $75.

Think Outside the Debt Finally, as bad as your debt may be, don't use it as an excuse to ignore the rest of your financial life. Set a little money aside for an emergency fund so the next time life knocks you for a loop, you won't start borrowing again to recover. Put a token $25 a paycheck into your 401(k) to get in the habit of saving.

Willy and Jessica are, in fact, contributing to their retirement plans and setting money aside for emergencies (adding to the $9,000 they have left from their home-equity loan after paying off their cards and personal loan). They've cut up all their credit cards but one, which is tucked away in a drawer. The tension over the birthday party has given way to new optimism about their finances. "We're talking every day about expenses," says Jessica. "I think our future looks much better." $

Curtis Parker

Question of the Month

Regular or Roth 401(k)?

Q. My employer is offering a Roth 401(k) in addition to our regular plan this year. Where should I put my money? —Jeff Kay, Roselle, Ill.

A. Would you prefer to pay taxes on your retirement savings now or later? That's the central issue. With the Roth 401(k), as with the Roth IRA, you fund the account using money that's already been taxed, so you won't owe Uncle Sam a dime when you make withdrawals. Traditional 401(k)s give you the tax break up front, and then you pay the feds at your regular income tax rate when you withdraw money. If you could be sure of your tax bracket in retirement, the answer would be easy: higher bracket later, fund the Roth now; lower bracket later, go traditional now. But unless you've got a pretty good crystal ball, you have no way of knowing definitively. That's why planner Chip Simon suggests hedging your bets: Fund the Roth when you're younger and probably earn less (which means your bracket is likely lower now); then, as your fortunes improve in mid-career, switch to the traditional version. —ASA FITCH

BY SAM GROBART

When *!&# Happens, It Could Be Your Big Break

Work life will hand you lemons—that's a given. It's up to you to squeeze some career cred out of the situation.

It's a fact of life—and of work: Bad things happen. Deals are blown, ambitions are squelched, things go to hell in a handbasket. But a bad situation doesn't have to be all that bad—if you know how to make it work for you.

First thing you have to do? It's like that song in *West Side Story*: Be cool. A level head is key; repeated bouts of guilt and self-recrimination won't get you anywhere. Focus instead on what you can do to turn the situation around, then act swiftly and decisively to capitalize on the opportunities the circumstances present.

Of course, some mistakes are impossible to recover from. But if you're able to pull it off, you may wind up impressing people in ways you never could have if everything had gone according to plan. Just consider the possibilities in these commonplace office nightmares:

No. 1 You screw up

› THE KNEE-JERK RESPONSE Distance yourself from your mistake as much as possible. If you can, blame someone else.

› THE SMART RESPONSE Don't run away from a problem, run toward it. Own the mistake, showing how quickly and effectively you can fix it.

Last year Rebecca Greenglass, an executive at an office-supply wholesaler in Fort Lauderdale, blew a big job for a major client when she wrote down the wrong quantities of merchandise in their order. "It was a simple mistake but a significant one," she recalls. Instead of panicking, Greenglass took charge: She alerted the client to the problem as soon as she discovered it (before they found out themselves), moved heaven and earth to secure the supplies they wanted in the proper amounts and then personally accompanied the shipment to the customer. A week later the client called her boss to rave about what a great job she'd done. "Of course, I wish I hadn't made the mistake in the first place," Greenglass says now, "but I developed a much better relationship with the client as a result of it."

"Recognize that you have a chance to impress with how you handle mistakes," says Arlene Hirsch, career counselor and author of *How to Be Happy at Work*. Just because you messed up doesn't mean the game is over—it's just changed.

No. 2 You ask for a promotion and get rejected

› THE KNEE-JERK RESPONSE Hole up in your office and lick your wounds. Stick pins in a voodoo doll of your boss.

› THE SMART RESPONSE Use the rejection to map out a clear path to achieving your career goals.

A few years ago I was working at another publication and felt I deserved a promotion. My boss felt otherwise. In a huff, I walked out of his office and did what any normal person would do: I complained to a friend who worked a few cubicles down. He said, "Hey, this isn't so bad. Why don't you ask the boss exactly what you need to accomplish here to get that promotion and then establish a schedule to do those things?" So I dropped the attitude, went back to my manager, worked out a road map and suddenly had a mutually understood plan that led to the promotion I was seeking.

"There's a difference between not getting something you want and not getting

Getty Images

something you've earned," says Hirsch. "If you haven't gotten something you want, it's up to you to figure out what you can do to earn it. Make it overt and objective. That way, it's not about whether the boss likes you, it's about whether you've done X, Y and Z."

No. 3 Your office is losing people left and right—and you're still there

› **THE KNEE-JERK RESPONSE** Get bitter. Talk smack about the company. Assume you're next.

› **THE SMART RESPONSE** Recognize this as a time to step up, make new alliances and take on new responsibilities.

About three years ago Bob Richardson saw his Newton, Mass. tech-consulting firm lose about a third of its staff to layoffs and resignations. Bob wasn't initially thrilled about taking on the extra work the departures created, but it soon dawned on him that it was, in fact, the perfect time to take on new tasks he would never have had the chance to do when his company was fully staffed. "I started to realize that I was learning a lot more about the business than if I'd just been doing my old job." Last year Bob was promoted. "It was rough going for a while, but I wouldn't have gotten the chance to move up if I hadn't stretched when times were tight," he says.

It's hard to be so coolly analytical when it feels as if the world is falling down around you, but it's what you have to do if you're going to take charge of a bad situation. Doing well at your job when all is going well is easy. Doing well under fire is how you make a great career. $

ILLUSTRATION BY YUKO SHIMIZU

Love and Money

Thank Me Very Much

You spent *how* much? Smart ways to exchange gifts when both you and your loved one pay the bill.

It's mighty romantic to get your sweetheart a Valentine's Day gift. You know what isn't as romantic? "Honey, I withdrew 10 grand from our savings account—but here's a platinum tea cozy. Happy Valentine's Day!" Exchanging gifts when the giver and the receiver share the same financial pot can be tricky: You don't want to be a heel, but it's not entirely your money to spend. Fortunately, there are strategies you and your loved one can use to keep you in the giving mood all year long. Here are three:

› **Set some guidelines.** Head off arguments about gift amounts by agreeing to a spending limit ahead of time. You and your spouse might, for instance, restrict all gifts between the two of you to $100 or less. Or you could establish a "gift fund" for each of you at the beginning of the year ($500 each, for example). That way you can draw on it according to your own discretion (you may want to spend more on a birthday than an anniversary or vice versa). "You'll have a less stressful holiday if you set a limit," says Olivia Mellan, author of *Overcoming Overspending*. "That frees you up for the fun part."

› **Fund a goal.** A bauble or gadget is nice, but so is a long-awaited vacation or a new home. Put money toward a goal like that and purchase an inexpensive item that serves as a fun token: say, sunscreen and a bag of sand representing that island vacation or a framed photograph that will have pride of place in your house-to-be.

› **Unite on one gift.** Rather than buying individual gifts, get something the two of you will enjoy, such as a subscription to a concert series or an item for the house. Give yourselves a subscription to Netflix or, if it was a good year, spring for that new plasma TV for the den you've both been longing for. Just make sure you've really *both* been longing for it. —BARBARA BEDWAY

Buy Bonds, Boost Your Return

With rates stalled and maybe falling, short-term bond funds look like a good bet

Over the past year, with interest rates rising and top money funds offering a no-risk 5%, there's been no good reason to stash cash in a short-term bond fund. But now that the Fed has paused and may even cut rates later this year, the advantage seems to be shifting. Reason: If rates fall, bond prices (which move in the opposite direction) will rise, **boosting your total return.** A half-point drop in rates, for example, would cause short-term bond prices to rise 1%, which could push total returns on top-yielding funds above 6%. Also, bond funds hold fixed-income securities with longer maturities, so if the Fed cuts rates, they'll retain higher yields longer than money funds, which closely track rate changes. **Best bet:** Shift your investment cash to bonds, reserving money funds for cash you'll spend soon. —CAROLYN BIGDA

SAVINGS

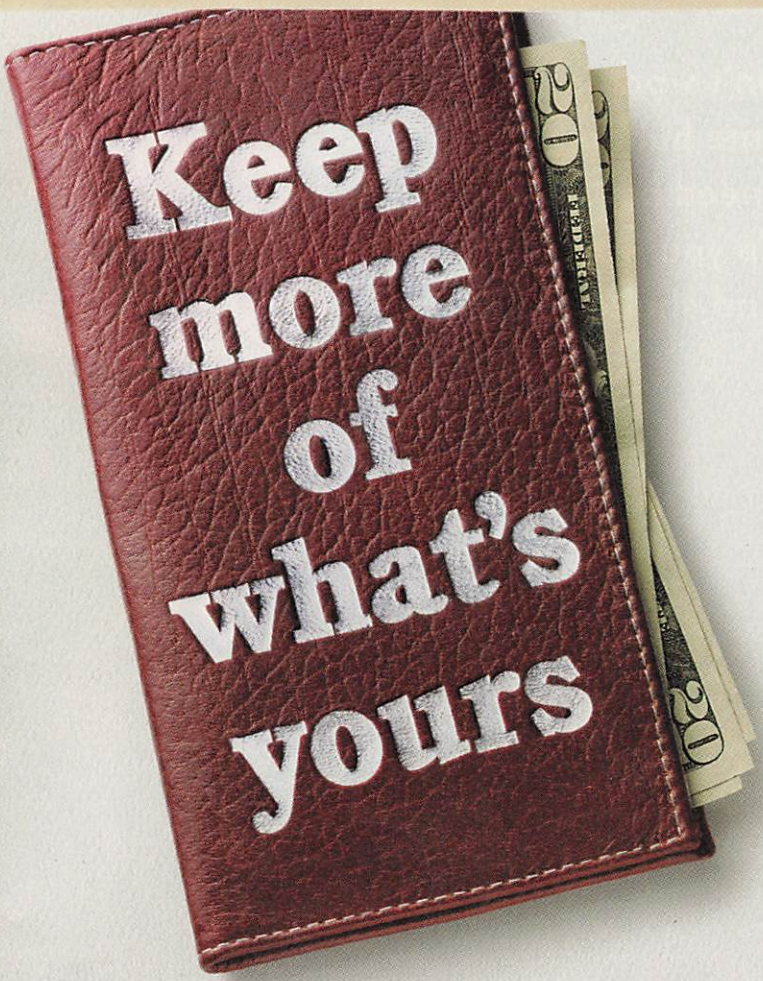
	YIELD	MIN. INVEST.	TELEPHONE
Bank Money-Market Accounts			
AVERAGE	0.84%		
BankUnited (Florida)	5.35	$5,000	877-779-2265
UFB Direct (California)	5.32	1	888-580-0049
OneUnited Bank (California)	5.25	10	877-663-8648
GMAC Bank (Pennsylvania)	5.25	500	866-246-2265
Excel National Bank (California)	5.15	10,000	888-392-5265
Taxable Money-Market Funds			
AVERAGE	4.85		
Vanguard Prime Money Market Fund Inv.	5.24	3,000	800-851-4999
Transamerica Premier Cash Reserve Inv.[1]	5.23	1,000	800-892-7587
Harbor Money Market Fund[1]	5.22	1,000	800-422-1050
TIAA-CREF Money Market Fund	5.19	2,500	800-842-2888
MFS Money Market Fund[1]	5.17	1,000	800-225-2606
Tax-Exempt Money-Market Funds			
AVERAGE	2.92		
Alpine Municipal Money Market Fund Inv.[1]	3.46	2,500	888-785-5578
Vanguard Tax-Exempt Money Market Fund	3.43	3,000	800-851-4999
DWS Tax-Exempt Money Fund	3.17	1,000	800-621-1048
Marshall Tax-Free Money Market Fund Y[1]	3.16	1,000	800-236-3863
Fidelity Municipal Money Market Fund[1]	3.14	5,000	800-343-3548
Taxable Short-Term Bond Funds			
AVERAGE	4.55		
DWS Short Duration Plus S	6.08	1,000	800-728-3337
USAA Short-Term Bond	5.36	3,000	800-531-8181
Vanguard Short-Term Investment-Grade Inv.	5.03	3,000	800-851-4999
DWS Short Duration S[1]	4.97	2,500	800-728-3337
Fidelity Short-Term Bond	4.91	2,500	800-343-3548
Tax-Exempt Short-Term Bond Funds			
AVERAGE	3.42		
Alpine Tax Optimized Income Inv.[1]	3.85	2,500	888-785-5578
DWS Short-Term Municipal Bond S[1]	3.77	2,500	800-621-1048
Wells Fargo Adv. S/T Muni Bond Inv.[1]	3.70	2,500	800-222-8222
Schroder Short-Term Municipal Bond Adv.[1]	3.66	2,500	800-464-3108
Wells Fargo Adv. Ultra S/T Muni Income Inv.[1]	3.50	2,500	800-222-8222

	YIELD	MIN. INVEST.	TELEPHONE
Six-Month CDs			
AVERAGE	3.55%		
Ascencia (Kentucky)	5.45	$500	877-369-2265
Appalachian Community Bank (Georgia)	5.43	10,000	706-276-8232
Giantbank.com (Florida)	5.41	2,500	877-446-4200
Nexity Bank (Alabama)	5.40	1,000	877-738-6391
One-Year CDs			
AVERAGE	3.79		
UmbrellaBank.com (Alabama)	5.40	1,000	866-242-0065
Corus Bank (Illinois)	5.40	10,000	800-989-5101
Pacific Mercantile Bank (California)	5.39	10,000	866-450-5600
Giantbank.com (Florida)	5.36	2,500	877-446-4200
Five-Year CDs			
AVERAGE	4.02		
Allied First Bank (Illinois)	5.30	500	800-272-3286
Bank of Internet USA (California)	5.26	1,000	877-541-2634
Apple Bank for Savings (New York)	5.25	500	914-902-2775
Eastern Savings Bank (Maryland)	5.25	1,000	800-787-7372

CREDIT

	RATE	ANNUAL FEE	TELEPHONE
Cards with the Lowest Rates			
Pulaski Bank & Trust (Arkansas)[1]	7.99%	$35	800-980-2265
Bryn Mawr Trust (Pennsylvania)[1]	9.90	0	610-525-1700
Farmers & Mechanics Bank (New Jersey)[1]	9.90	0	609-386-2400
No-Fee Cards with the Lowest Rates			
Bryn Mawr Trust (Pennsylvania)[1]	9.90	0	610-525-1700
Farmers & Mechanics Bank (New Jersey)[1]	9.90	0	609-386-2400
First Internet Bank of Indiana (Indiana)[1,2]	12.00	0	888-873-3424
Premium Cards with the Lowest Rates[3]			
Simmons First National Bank (Arkansas)[1]	7.25	0	800-636-5151
Pulaski Bank & Trust (Arkansas)[1]	7.99	50	800-980-2265
Wells Fargo Bank (California)	8.25	19	800-642-4720
AVERAGE	13.94		

SAVINGS NOTES AND SOURCES: CD and money-market account data as of Dec. 12 from *100 Highest Yields*, a publication of Bankrate.com ($124 for 52 issues; 800-327-7717, ext. 11410); all have a minimum investment of $10,000 or less. Average tax-exempt and taxable money-market fund yields for the week ended Dec. 12 from *Money Fund Report* (imoneynet.com); all have a minimum investment of $10,000 or less and assets of $25 million or more. Average bond fund yields for the month ended Nov. 30 from Lipper; all are medium- and high-quality funds without sales loads and with average maturities of three years or less. [1]Manager absorbed all or some operating expenses. **CREDIT NOTES AND SOURCES:** All rates subject to change. Credit-card rates are for standard cards as of Dec. 12 from Bankrate.com and are variable unless otherwise indicated. Survey does not include Internet-only cards or AmEx Blue. [1]Fixed rate. [2]Visa only. [3]Platinum and gold cards.



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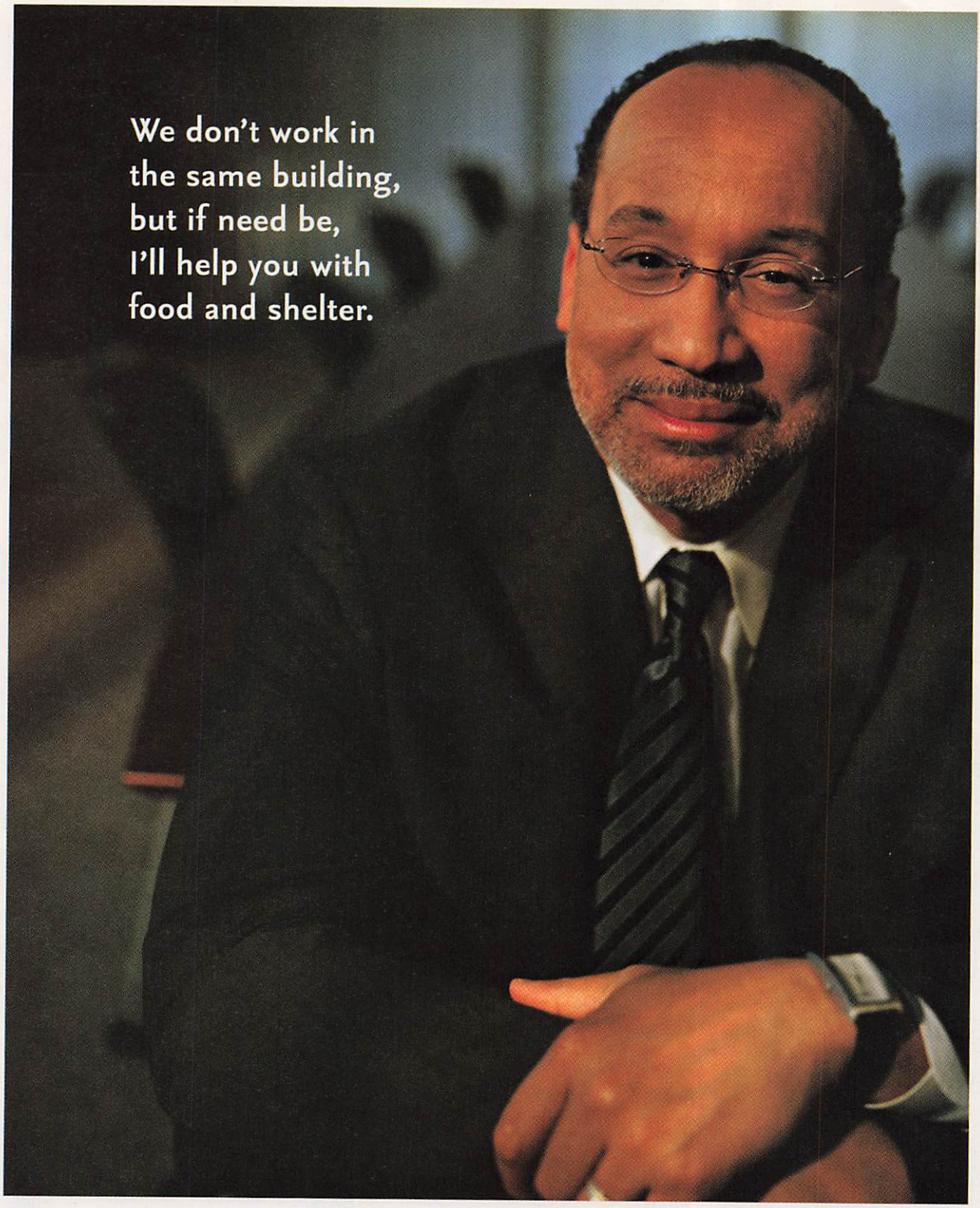

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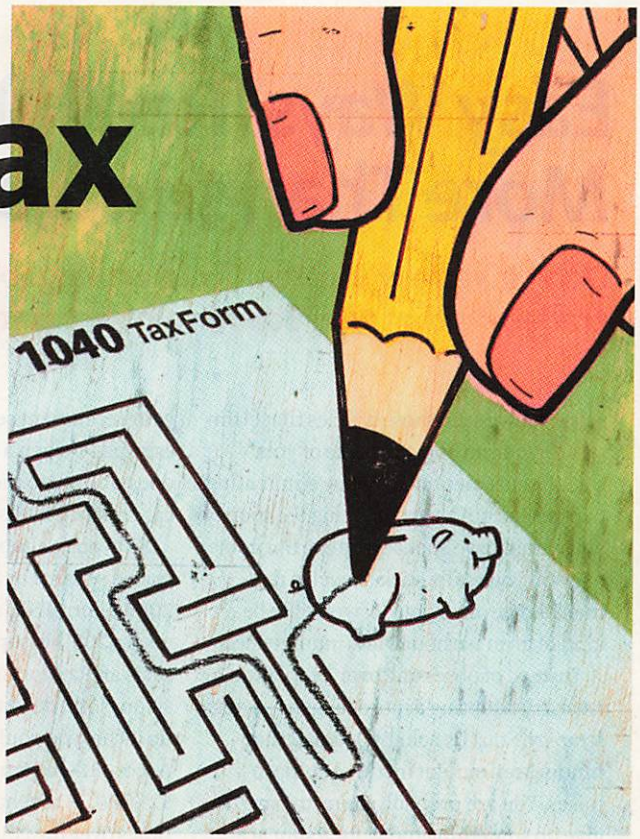
CLIP AND SAVE

Gear Up for New Tax Savings



Prep for what has changed—or gotten trickier—on your 2006 return and make filing more rewarding BY TRACY BYRNES

Gather Ye Sales Slips

› **The break:** The day Congress adjourned, lawmakers brought back the option to deduct your state and local *sales* taxes instead of your state and local *income* taxes.

› **What you need:** You can use the IRS estimate of your sales taxes (which is based on your exemptions and income). But if you bought a car, boat or motorcycle in 2006, dig up the receipt. You can add the sales taxes you paid on it to the IRS number.

Deduct Gifts with Care

› **The break:** This year it'll be tougher to take a charitable deduction for old junk you gave away after Aug. 17, 2006. New rules say that clothing and household goods must be in "good used condition or better" to qualify. "If a thrift shop is selling similar things in the same condition, you're probably okay," says Bob Scharin, RIA senior tax analyst at Thomson Tax & Accounting.

› **What you need:** Keep a list of your donations. Snap a picture of the stuff for an even better record.

Get Credit for the Kids

› **The break:** If you paid someone to watch kids under age 13 so that you could work or study, you may be able to take the child- and dependent-care credit. It's worth as much as $1,050 for one child, $2,100 for two (it varies based on your income). Day camps count; sleepaway ones don't.

› **What you need:** Have on hand the address and tax identification number of the day-care provider or camp.

Earn Green Rewards

› **The break:** If you made your home more energy-efficient in 2006—you added insulation, say, or replaced drafty windows or bought a furnace—you may qualify for a new tax credit worth as much as $500 ($200 for windows). If you bought a new hybrid car, you're entitled to a credit of $250 to $2,600, depending on the model and the sale date.

› **What you need:** To read more about which improvements qualify, go to ase.org/taxcredits. For your hybrid, be sure to get documentation from the dealer noting your date of purchase and the amount of the credit.

Be Smart About Education Perks

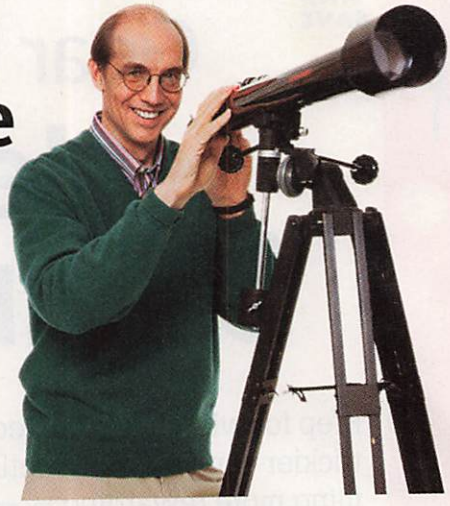
› **The break:** Congress extended the tuition deduction, which lets you write off as much as $4,000, a $1,120 savings in the 28% bracket. (The top adjusted gross income to qualify is $160,000 for married couples.)

› **What you need:** Dust off those '06 tuition bills. But if your AGI is below the limit for the more valuable HOPE and lifetime learning credits ($110,000 for married folks), grab one of them instead. The HOPE saves you up to $1,650, the lifetime learning credit as much as $2,000. $

Dan Page

BY WALTER UPDEGRAVE

Easy Ways (Really) to Save More Than $400,000



Don't give up the lattes. Focus on bigger-ticket trade-offs that won't compromise your quality of life.

You've seen those articles that claim you can boost the size of your retirement nest egg by eliminating trips to Starbucks and banking the money you would have spent on lattes. But come on. Will you really stick to such a regimen? And even if you do, won't life be kind of grim without a few indulgences?

Instead of obsessing over every little treat, try adopting a more realistic savings strategy. Start by acknowledging that funding retirement involves compromises. You are probably going to have to give up something today for a shot at a better tomorrow. But by going about it the right way, you can often find trade-offs that will allow you to sock away real money while still leading a rich, full life.

› GETTING STARTED Consider your car, for instance. While there's a certain pleasure in zipping around in a shiny StatusMobile, it's not worth sacrificing your retirement security for that thrill—especially when a lower sticker price doesn't have to mean giving up a lot in car comfort, looks or performance.

Say you're shopping for a moderately priced sedan. For $30,000 you can get a 2007 Acura TSX, a four-door number with a 205-horsepower engine, leather seats and a sunroof. Or, if you're willing to sit on cloth, do without a sunroof and give up 39 hp, you could go with a 2007 Honda Accord LX, a comparable car that sells for $21,000. Make that "compromise" several times over the course of a career, and as the chart below shows, you could end up with an extra 180 grand when you retire.

› EXPANDING THE PROGRAM Or try rethinking college savings goals. Sure, a sheepskin from Yale or Princeton would be nice, but it's not as if sending Junior to State U. will limit his prospects: Research shows that students with similar academic abilities earn the same whether they attend top schools or less selective ones. But saving as if your toddler will go to a public school where tuition runs about $10,000 a year (after financial aid and tax breaks) instead of a private one that costs, say, $21,000 could free up $200 or so a month, which could go to a course both you and Junior can embrace: making sure you're no burden to him later in life.

What about taking vacations in the off-season or opting for Costa Rica or Mexico instead of pricier Europe? That can cut travel expenses by 40% or so, easily saving $1,000 or more a year. And don't forget to look homeward too, asking yourself whether you might live just as well in a smaller, less expensive house.

› REAPING THE BENEFITS Of course, the success of this strategy depends on the money you save finding its way into your retirement kitty. You could calculate your savings each month and send a check for that amount to a retirement account. But, hey, do you think you'll actually do that? A better way: Estimate how much you'll save in a year, then increase your 401(k) or automatic IRA contributions by that amount, essentially forcing yourself to go through with your savings plan.

So keep the treats. Go to Starbucks, spring for a latte and come up with a savings plan that makes sense for you. **$**

Sign up for Updegrave's weekly e-mail newsletter at cnnmoney.com/expert. E-mail him at **longview@moneymail.com.**

Bold Moves, Bigger Savings

You can pump up your retirement savings in a big way if you're willing to live beneath your means—at least in a few strategic areas. Try these moves:

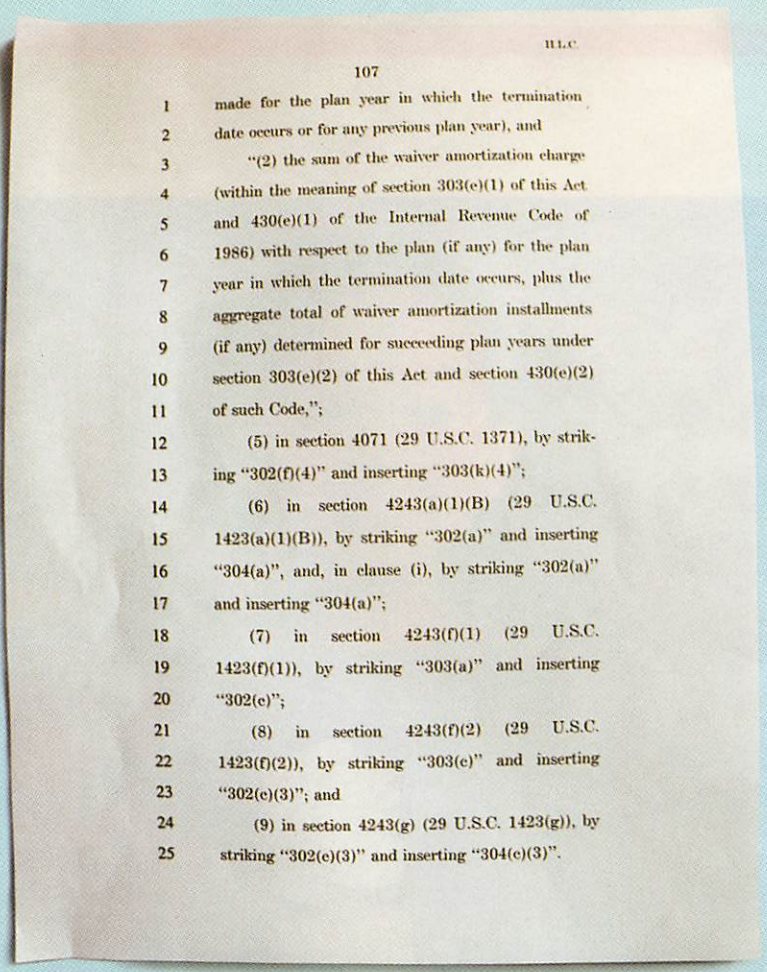
Drive less expensive cars during your lifetime: **$180,000**

Send your child to a public (not private) university: **$164,000**

Cut vacation spending by $1,000 a year: **$122,000**

= **$466,000** INCREASE IN NEST EGG

NOTES: Savings over 30 years, 8% annual return. Car: Assumes financing 90% of price with five-year 6.9% loan, replacing car every 10 years with comparable savings; example does not factor in resale values or operating costs. College: Assumes $200 a month saving for 15 years, after which savings grow another 10 years until retirement. **SOURCE:** MONEY research.



H.L.C.

107

made for the plan year in which the termination date occurs or for any previous plan year), and

"(2) the sum of the waiver amortization charge (within the meaning of section 303(e)(1) of this Act and 430(e)(1) of the Internal Revenue Code of 1986) with respect to the plan (if any) for the plan year in which the termination date occurs, plus the aggregate total of waiver amortization installments (if any) determined for succeeding plan years under section 303(e)(2) of this Act and section 430(e)(2) of such Code,";

(5) in section 4071 (29 U.S.C. 1371), by striking "302(f)(4)" and inserting "303(k)(4)";

(6) in section 4243(a)(1)(B) (29 U.S.C. 1423(a)(1)(B)), by striking "302(a)" and inserting "304(a)", and, in clause (i), by striking "302(a)" and inserting "304(a)";

(7) in section 4243(f)(1) (29 U.S.C. 1423(f)(1)), by striking "303(a)" and inserting "302(c)";

(8) in section 4243(f)(2) (29 U.S.C. 1423(f)(2)), by striking "303(c)" and inserting "302(c)(3)"; and

(9) in section 4243(g) (29 U.S.C. 1423(g)), by striking "302(c)(3)" and inserting "304(c)(3)".

This is page 107 of the recently passed Pension Protection Act of 2006. There are 906 other pages just like it.

Not that you'd be able to tell, but the Pension Protection Act is actually a good thing—especially when it comes to your retirement and education savings. Fortunately, Ameriprise Financial is familiar with the act, and one of our personal financial advisors can sit down with you, one-to-one, and help simplify its 900-plus pages down to the key points that are most relevant to your unique situation.

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home

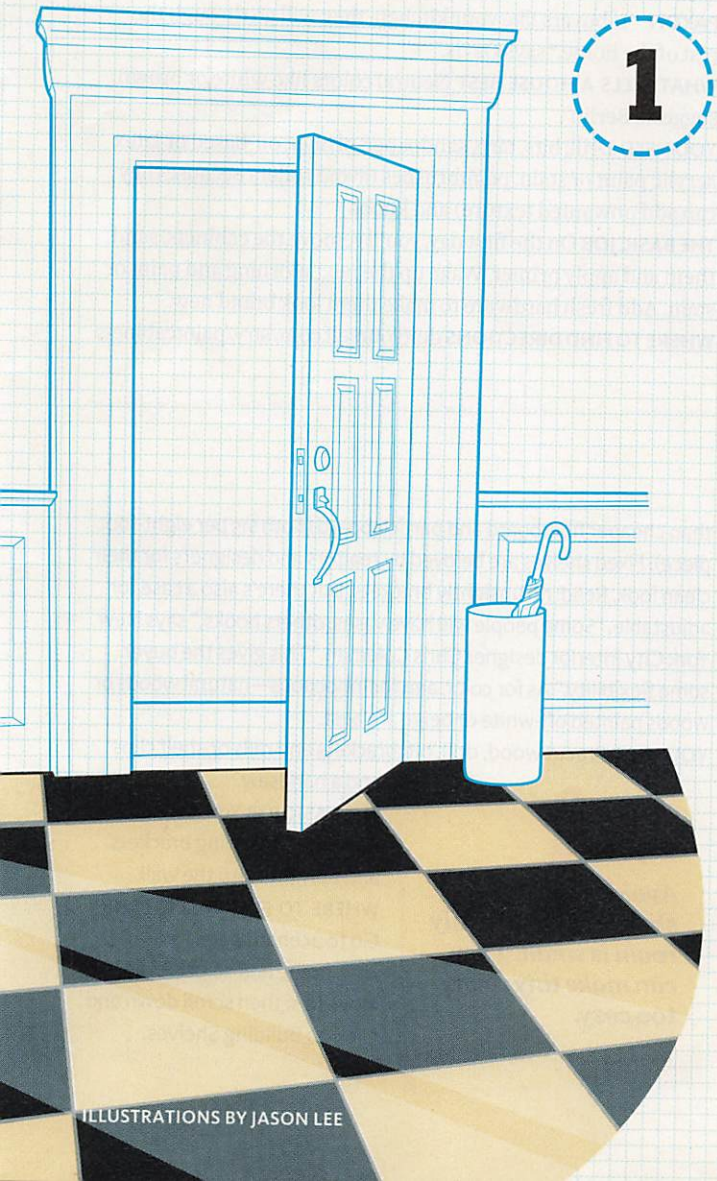
A real estate auction moves a house off the market 50 | Latest mortgage rates 50

RENOVATIONS

Small Projects That Pay Off Big

Make your home more appealing to buyers (and yourself) with these easy indoor upgrades you can do on your own BY ARIANNE COHEN

HOPING TO SELL THIS SPRING? Then you may want to put these winter weekends to good use by fixing up a few rooms. Prices are softening, homes are sitting longer. You need a leg up. "You're competing with new developments, and builders have really thought through what details impress buyers," says agent Katherine Camp of Prudential Douglas Elliman in New York City. Because you're unlikely to recoup full renovation costs these days, bypass a contractor and focus instead on what you can do yourself, in rooms buyers pay the most attention to. These five projects should get your house noticed—and snapped up sooner. "Sellers who don't offer these kinds of touches may find their homes languish on the market," says Camp.



ILLUSTRATIONS BY JASON LEE

1

THE ENTRYWAY

Tile the Floor

"The foyer is the buyer's first impression of your house," says Sid Davis, author of Home Makeovers That Sell. *"If people walk in and see a bad floor, they're going to wonder, 'What else is wrong with this dump?'"*

DIY COST: $200 for tiles (four feet by four feet); $65 for tools

WHAT YOU'D PAY A PRO: $1,000

SKILL LEVEL: (out of four) **TIME:** 1 day

DO THIS IF... Your neighbors all have tile entries and you don't. And definitely if you have carpeting or linoleum, says carpenter Rick Crowe of Albany, N.Y. "The cheapest ceramic tile has more curb appeal than the most expensive linoleum."

PAYOFF A buyer's first impression will be a good one. "Tile makes a house look worth something," says Adam Berlin, a contractor in Littleton, Colo. and host of DIY network's *Sweat Equity*.

WHAT SELLS A HOUSE BEST Anything that looks like stone, says Berlin. "Natural stone is timeless—everybody wanted it 2,000 years ago in Rome, everybody wants it now." It's also pricey ($4 and up per square foot); porcelain is a durable, cheaper alternative ($2.50 and up) that can look similar.

YOU NEED Tiles, spacers, adhesive, notched trowel, grout, sealer and plywood

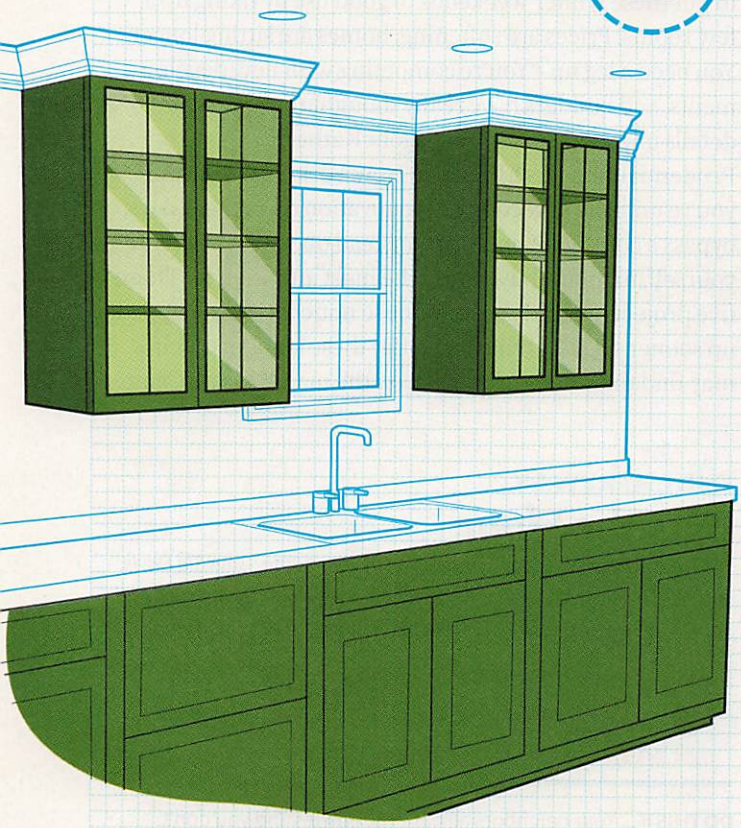
THE BASIC JOB You must pull up the old flooring and install a layer of plywood. Then glue, grout and seal. The hardest part is cutting the tile, which you'll likely have to do around borders. Ask the tile store if it provides this service for free.

WHERE TO FIND DIRECTIONS Go to doityourself.com/miscellaneousfloor.

Tip:

Go for six-inch tiles or bigger. The less grouting there is, the easier cleanup will be.

SEE MORE PROJECTS



2

THE KITCHEN
Paint the Cabinets

"You'll make or break your sale in the kitchen," says author Davis. "It's the first room people head to when they look at a home, and if it doesn't meet their expectations, forget it."

DIY COST: $135 for tools and paint supplies; $5 and up per knob
WHAT YOU'D PAY A PRO: $1,200, refacing; $5,000, replacing
SKILL LEVEL: ⚒⚒ **TIME:** 2 days

DO THIS IF... You're selling soon. You won't recoup the cost of fully replacing shabby cabinets with new ones (that's $5,000 and up). Refacing them is harder and costly too ($1,000-plus). A coat of paint, on the other hand, can cheaply do a lot to spiff up what you have, even if it's a bit of a cosmetic fix. "Over the long run, it'll chip and wear," cautions contractor Berlin. But hey, that's someone else's problem.

PAYOFF "If buyers like your kitchen, they will go through the rest of the home," says Davis.

WHAT SELLS A HOUSE BEST Neutral colors like white or brown, suggests Berlin

YOU NEED Drill, bits, tarp, sandpaper, primer, oil-based or latex acrylic paint or stain, paintbrushes (avoid rollers because they can add unwanted texture) and knobs

THE BASIC JOB On the first day, you'll remove the cabinets, sand them and apply primer. Wake up the next morning and paint or stain. Add fresh hardware to make them look brand new.

WHERE TO FIND DIRECTIONS doityourself.com/stry/paintcabinets

3

THE FAMILY ROOM
Build Bookshelves

"Since about 20 years ago, when builders started putting in family rooms off kitchens, these spaces have really come up in importance," says Davis.

DIY COST: $500 for two six-foot-by-eight-foot oak shelves; $200 for tools
WHAT YOU'D PAY A PRO: $1,200
SKILL LEVEL: ⚒ fixed ⚒⚒⚒ adjustable
TIME: ½ day, fixed; 1½ days, adjustable

DO THIS IF... You have an odd nook that otherwise would seem like wasted space—say, under the stairwell or alongside the fireplace—or you need to add dimension and character to a room that lacks any architectural detailing.

PAYOFF "You'll give the buyer an idea of how the space can be used," says realtor Camp.

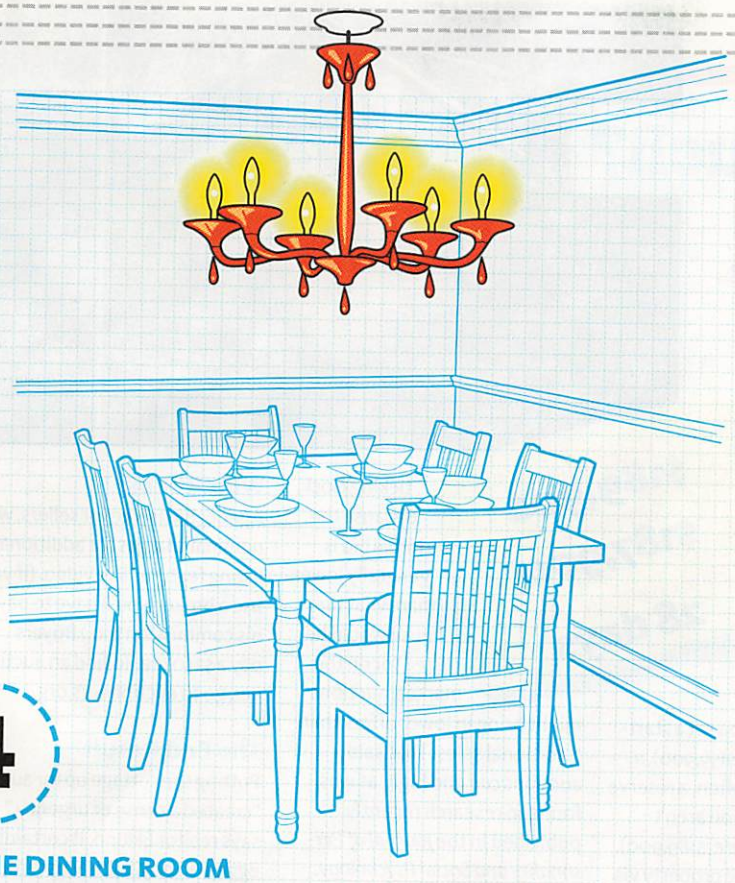
WHAT SELLS A HOUSE BEST Hardwoods like oak ($10 a linear foot) and mahogany ($12) are sturdier and more appealing to buyers than cheaper fiberboard and particleboard (both $15 per eight-foot piece). Fixed shelves are beloved by realtors and designers for their clean look. Read: no unsightly brackets. But there's also a case for adjustable. "Some people will have vases, others books," says New York City interior designer Chris Coleman. "This gives the buyer some flexibility." As for color, aim for innocuous—natural woods or woods painted off-white or beige are best.

YOU NEED Precut wood, drill, bit, brackets and rails or shelf clips and a handsaw

THE BASIC JOB You'll spend the most time screwing brackets and uprights into the wall.

WHERE TO FIND DIRECTIONS Go to acehardware.com /infohome and select Project How-To's; then scroll down and click on Building Shelves.

Tip:
Avoid installing shelves if your family room is small. They can make tiny rooms too cozy.



4

THE DINING ROOM

Replace the Overhead Fixture

"People who do a lot of entertaining will pay attention to this room," says Jay Fellhauer, a ReMax agent in Grand Junction, Colo.

DIY COST: $39 to $300 for the lamp; $40 for tools

WHAT YOU'D PAY A PRO: $700

SKILL LEVEL: ⚒⚒ **TIME:** 4 hours

DO THIS IF... You haven't replaced the lighting in years, and it's not meant to look antique. Brass should definitely go, says Berlin, since "that springs cheap."

PAYOFF "Good lighting is critical, especially in the dining area," says realtor Camp. "The right chandelier sets the tone and makes a dramatic impact on the buyer."

WHAT SELLS A HOUSE BEST Think universal appeal. In other words, don't go all Liberace if your house is country-style. Also, beware of an oversize or undersize fixture, which can make the room seem out of proportion. Use your dining table as a judge: The chandelier's diameter should be 12 inches less than the table's width.

YOU NEED Chandelier (stick to models that are less than 30 pounds—heavier ones require a fan brace to support, "and you're better off hiring a pro to install that," says carpenter Crowe), metal outlet box, wire nuts, electrical tester, electrical tape, safety goggles, bulbs and wire cutter

THE BASIC JOB First you must shut off the circuit breaker. In most homes you'll be able to hang a lightweight chandelier from an existing electrical box (more likely if it's metal). Expose the wires and unscrew the wire nuts to remove the previous fixture; then match up the wires from the lamp with the wires in the box.

WHERE TO FIND DIRECTIONS Go to lowes.com and select How-To Projects from the Project Center pulldown menu, then Lighting and Electric from the menu at left.

5

THE MASTER BATH

Add Glass Shower Doors

"If you're going to put money into a home, you should start in the rooms with running water," advises Berlin.

DIY COST: $300 to $800 for the glass-door kit; $70 for tools

WHAT YOU'D PAY A PRO: $1,150

SKILL LEVEL: ⚒⚒⚒ **TIME:** 4 hours

DO THIS IF... The room isn't particularly spacious. "A curtain divides it and makes it seem smaller," says Camp.

PAYOFF Because the eye doesn't stop at the curtain, "glass doors give the appearance of more open space," Camp adds.

WHAT SELLS A HOUSE BEST Frameless doors, which have a clean, spa-like look. Thing is, these are hell to install on bathroom walls that aren't quite flush. Framed doors, while less ideal, are still an improvement on a curtain. If you plan to live in the house while you're trying to sell, you might consider frosted glass, "especially if your neighborhood has hard water," says Crowe. "Clear glass will show the soap scum."

Tip:

Pick out doors in person, visiting the showroom with dimensions in hand. Do you really want to mail back a glass door ordered online?

YOU NEED Caulk gun, silicone adhesive (waterproof caulk), file, hacksaw, drill, bit, punch, miter box and anchors

THE BASIC JOB You'll attach the bottom track with adhesive, then drill in the bottom and side tracks. After you install the door and panels, you'll put in the top tracks; finish by sealing the tracks with waterproof caulk.

WHERE TO FIND DIRECTIONS Read the paperwork that comes with the door kit—every model is different. **$**

they got how much?

Going once, twice...sold! A seller uses an auction to speed up a sale.

When her elderly mother became unable to take care of the family's waterfront cottage in Plymouth, Mass. last year, Kathy Buonopane put it on the market "as is." Months passed, and no sale. She switched realtors and lowered the price to $189,900. Again, nothing. After the house had sat unsold for well over the local average of 180 days, "it was time to change strategies," she says.

Reserve price **$189,900**
Selling price **$187,900**
Time on auction block **28 days**

What She Did

In September she and realtor Carol Eklund registered the house on auction website AgencyBid.com. Once mainly for foreclosures, auctions online and off are gaining ground among sellers desperate to unload. Live auctions of homes generated $14.2 billion in 2005, reports the National Auctioneers Association (online auctions were too new to be measured).

How It Works

To sell at auction, you set a starting bid (in this case $159,900), a sale deadline and, often, a reserve price below which you aren't obligated to sell (here, $189,900). You then market the property via open houses and the multiple-listing service. After these steps have been accomplished, you simply sit back and wait for bids to come in. Buyers benefit from seeing other bids, sellers from the ticking clock. Because the initial bid is generally lower than what the house would be listed for on the market, auctions might bring in lower offers than traditional sales. That said, auctions *can* end high, as was found in research recently published in the *Journal of Personality and Social Psychology*. People become interested when prices are low and then feel compelled to stick with their commitment to bidding even when the item for sale goes above market value.

What It Cost

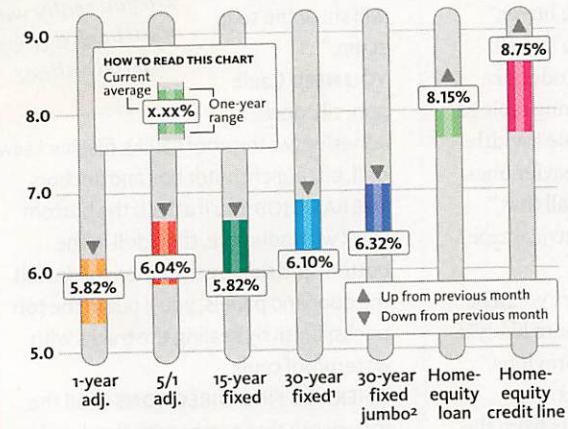
AgencyBid is free for sellers, with nominal charges for additional listing features like video. (If you use a broker, you'll have to pay his commission too.) Buyers pay a $250 fee. To find an auctioneer, go to auctioneers.org.

The End Result

Putting the cottage up for auction "created a sense of urgency," says realtor Eklund. It certainly egged on buyer Jim Moscardelli, who'd been eyeing the MLS listing for months. On the final day of the auction, he called Eklund directly and offered $187,900—a hair below Buonopane's reserve. Sold! —KATE NUGENT

HOME-LOAN RATES

BOTTOMED OUT Mortgage rates dropped from their summer peaks to new lows in December, according to HSH Associates.



NOTES: As of Dec. 15. ¹ $417,000 or less. ²More than $417,000. SOURCE: HSH Associates.

DEALS: 30-Year Fixed-Rate Jumbo Mortgages

The banks below offer some of the best loan rates and terms. Use them as a benchmark for your own shopping. Visit hsh.com for more deals.

First Northern Bank	Washington Mutual Bank
Folsom, Calif.; 916-817-3910	*Garden City, N.Y.; 516-745-6500*
Rate: 6%; one point	Rate: 6.125%; no points
$350 application fee; 10% down	$0 application fee; 20% down
Maximum loan: $650,000	Maximum loan: $1 million

NOTES: As of Dec. 15. Rates and terms subject to change. SOURCE: HSH Associates.

REFI MADNESS

In December, applications to refinance hit their highest level in more than a year, accounting for 52.6% of total mortgage applications. Outstanding mortgages now break down as follows:

FIXED RATE	ADJUSTABLE	INTEREST-ONLY
54%	28%	18%

SOURCE: Mortgage Bankers Association.

Hotel points
and airline miles.
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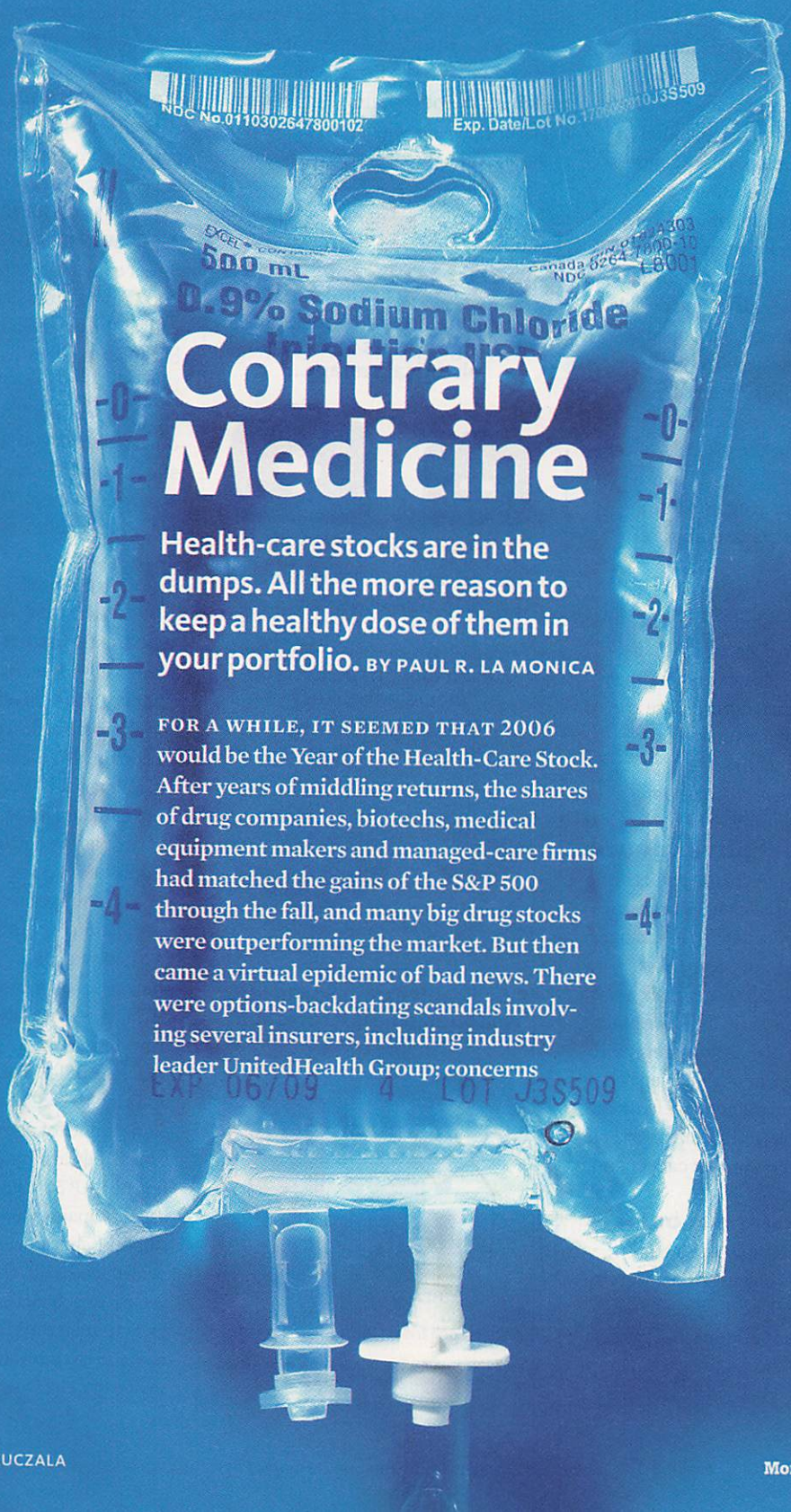
invest

Answer Guy *by George Mannes* 56 | Two high-flying stocks to hang on to *by Michael Sivy* 58



Contrary Medicine

Health-care stocks are in the dumps. All the more reason to keep a healthy dose of them in your portfolio. BY PAUL R. LA MONICA

FOR A WHILE, IT SEEMED THAT 2006 would be the Year of the Health-Care Stock. After years of middling returns, the shares of drug companies, biotechs, medical equipment makers and managed-care firms had matched the gains of the S&P 500 through the fall, and many big drug stocks were outperforming the market. But then came a virtual epidemic of bad news. There were options-backdating scandals involving several insurers, including industry leader UnitedHealth Group; concerns

PHOTOGRAPH BY JOHN KUCZALA

about the safety of drug-coated stents, which caused a pullback in the shares of several big medical equipment makers; and the November elections, which depressed Big Pharma and managed-care stocks. Investors dumped the shares on fears that the new Democratic Congress would push for the government to negotiate lower drug prices for Medicare beneficiaries and seek cuts in the premiums paid to insurers that run managed-care programs for the elderly and disabled. In December, Pfizer's stock dropped 11% when it suspended trials on torcetrapib, the cholesterol drug that many expected to be the company's new blockbuster. Other large drug stocks took a hit as well, as the news stoked longtime concerns about the inability of drugmakers to replace older drugs that are going off patent protection.

But look closer, and you'll find that most of the issues behind the recent pullback are short-term problems. Meanwhile, long-term health-care spending is going nowhere but up, up, up. Here are the reasons some of the smartest investors today believe that the recent price dip in these stocks has created a long-term buying opportunity.

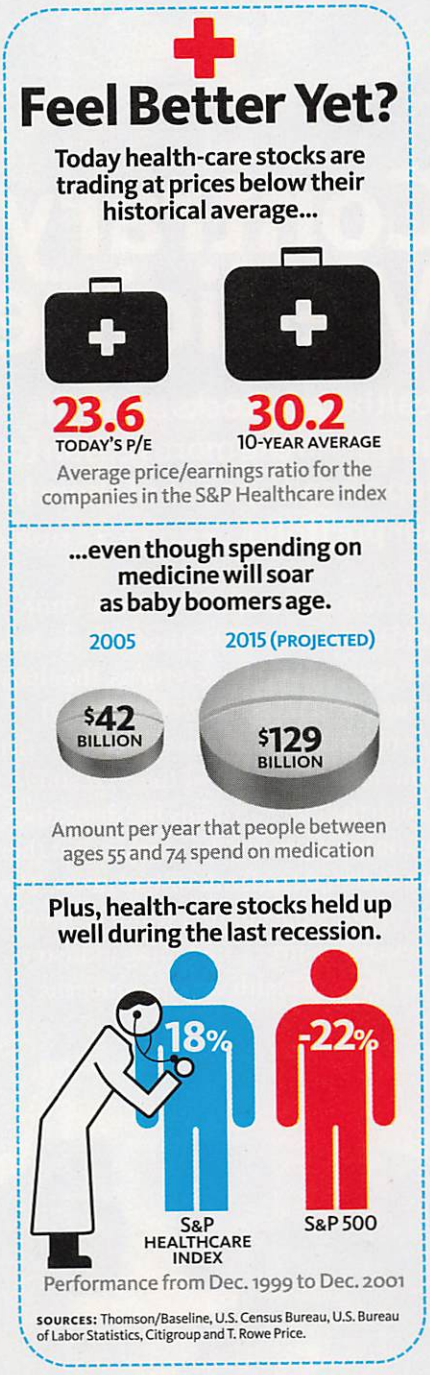
>THE DEMS WON'T DO THAT MUCH DAMAGE Kris Jenner, manager of the T. Rowe Price Health Sciences fund, says that investors overreacted to the changes in Washington. He expects the new Congress to create Capitol gridlock, not substantive changes to health-care policy. Phil Dow, director of equity strategy with RBC Dain Rauscher, adds that even if there is reform, it might not have a drastic effect since the feds won't want to cripple drugmakers. "Democrats get cancer and diabetes too," he says.

>BIG PHARMA ISN'T OUT OF IDEAS True, Pfizer's torcetrapib woes highlighted the sector's biggest risk: a scarcity of new drugs to replace off-patent ones that face fierce competition from generic drugmakers. But "the big drug companies have the financial wherewithal to refill their pipelines," says Walter McCormick, a fund manager with Evergreen Investments. Some firms are doing that by buying small biotech firms, which often trade at prices only slightly higher than the cash value of their assets. These biotechs aren't likely to create large-scale blockbusters, but they often specialize in medications for so-called orphan diseases, which affect small numbers of people. Making drugs for these illnesses can be lucrative, since governments typically offer tax credits and extra-long patent protections to companies that develop treatments for them.

>HEALTH CARE IS A SAFE HAVEN IN A SLOWING ECONOMY Many on Wall Street expect the economy to slow in 2007. And sectors like health care typically hold up well when times get tough because people still need to buy medication even when they're paring back on overall spending. That's what happened during the 2000-01 recession, when drug stocks outperformed the broader market by a wide margin. This year the S&P Healthcare index is expected to post an earnings increase of 11%, compared with 5% profit growth for the S&P 500.

>DEMAND FOR HEALTH-CARE PRODUCTS IS RISING One thing is for sure: Baby boomers aren't getting any younger, and that bodes particularly well for pharmaceutical makers and biotechs. According to research from T. Rowe Price, spending on drugs by people between the ages of 55 and 74 is expected to triple between 2005 and 2015. And people between the ages of 35 and 54 are expected to spend twice as much on medication over the next decade.

Moreover, political concerns and such short-term issues as options backdating are now fully priced into health-care stocks, says Legg Mason Value Trust manager Bill Miller. Insurers like Aetna and Health Net, both of which Miller owns, trade for about 13 times next year's estimated earnings, compared with 16 for the S&P 500. Large, diversified health-care companies like Johnson & Johnson, Abbott Laboratories and Novartis are priced well below their historical average yet are expected to report stronger profit growth than the broader market. "I've never seen these stocks trade this cheap," says strategist Dow.


Feel Better Yet?
Today health-care stocks are trading at prices below their historical average...
23.6
TODAY'S P/E
30.2
10-YEAR AVERAGE
Average price/earnings ratio for the companies in the S&P Healthcare index
...even though spending on medicine will soar as baby boomers age.
2005
2015 (PROJECTED)
$42 BILLION
$129 BILLION
Amount per year that people between ages 55 and 74 spend on medication
Plus, health-care stocks held up well during the last recession.
18%
-22%
S&P HEALTHCARE INDEX
S&P 500
Performance from Dec. 1999 to Dec. 2001
SOURCES: Thomson/Baseline, U.S. Census Bureau, U.S. Bureau of Labor Statistics, Citigroup and T. Rowe Price.

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How to Cure Your Health-Care Ills

Despite all the promise, there's no doubt that health-care stocks carry risk. For most people, it's best to take a broad approach to the sector rather than place bets on any given stock. The simplest way to go: an ETF like the **Health Care Select SPDR**, which mirrors the S&P Health-care index, or **Vanguard Health Care**, which owns 278 health-care stocks. The day Pfizer pulled the plug on torcetrapib, both ETFs fell less than 1%.

If you prefer trying to outperform the index (at the risk of coming up short), consider the **T. Rowe Price Health Sciences** fund, which has a good history of finding biotech winners, according to Morningstar analyst Christopher Davis, and an expense ratio under 1%.

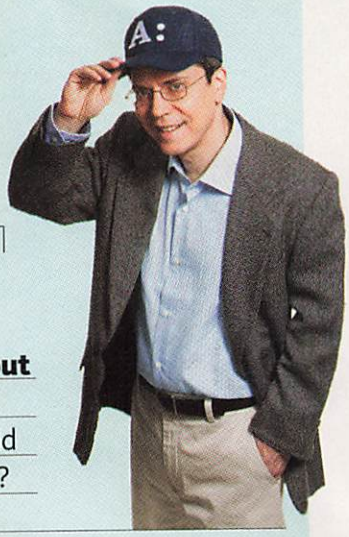
Finally, if you are willing to gamble on one or two stocks, **Wyeth**, which trades for just 15 times 2007 earnings estimates, may be the best bargain among large drug companies. Evergreen's McCormick likes the company because it has a diverse portfolio of best-selling drugs, most of which are not due to go off patent for many more years. An even riskier but potentially more lucrative play is biotech **Gilead Sciences**, which holds patents for drugs that treat the hepatitis B virus and HIV. It's a top holding of MONEY 70 fund T. Rowe Price Blue Chip Growth. Earnings are expected to increase an average of 19% for the next few years. **$**

TOP PICKS

- **Health Care Select SPDR** (XLV)
  This ETF tracks the S&P health-care index.
- **Vanguard Health Care** (VHT)
  An ETF made up of 278 health-care stocks
- **T. Rowe Price Health Sciences** (PRHSX)
  This fund consistently outperforms its health-care peers.
- **Wyeth** (WYE)
  The stock is cheap, and the company holds patents on several best-selling drugs.
- **Gilead Sciences** (GILD)
  High-growth biotech company focusing on treating infectious diseases like HIV

the answer guy

BY GEORGE MANNES



Q **One of my relatives brags about owning stocks that pay dividends of around 10%.** I'm afraid there's some risk here. What is it? —Ken Nimmo, Buffalo Grove, Ill.

Answer High-yielding investments, particularly the ones that relatives brag about, always come with a catch. The chief one here is the riskiness of the underlying shares. A fat dividend doesn't do you much good if the stock's price tanks.

Exhibit A is one group of investments on the list that you e-mailed: Canadian energy trusts producing oil and gas. Their shares sank last fall on news of proposed changes in tax treatment. **PrimeWest Energy Trust** (ticker: PWI), for one, yielded 16.6% as of December, but its total return for the year was –26.5%. Other risks to these trusts: falling oil prices and depletion of reserves, says T. Rowe Price fund manager Charles Ober.

Your relative also holds mutual funds that sell options to buy stocks they own, a strategy known as writing covered calls. This works fine in a flat market but limits gains in a bull market (and protects only a little in a falling one). Plus, the more a covered-call fund pushes for income, says Wachovia Securities analyst Mariana Bush, the greater the threat to its asset value.

Yes, these securities yield more than a blue chip. But given their risk, they'd better.

Q **People say you should invest in low-cost mutual funds.** But expenses are already deducted from published returns. So if two funds both return 10% this year, what does it matter that one fund's expense ratio is 0.23% and another's is 0.85%? You don't get a check for what you're supposedly saving. —Susan M., Portland, Ore.

Answer Ah, but what about next year's returns and the year after's?

Because the higher-expense fund deducts more from your assets each year, its investments have to outperform those of the cheaper fund to give shareholders the same net return. Over the long run, that can become a tough hurdle to clear. That's why a low expense ratio improves the odds that a fund will do better than its peers. A portfolio manager may have his or her ups and downs as a stock picker, but low expenses will consistently give a fund a leg up on its costlier competitors.

How low is low enough? Russel Kinnel, Morningstar's director of fund research, suggests using low-cost leader Vanguard as a benchmark. If a fund you like has expenses within 0.2 percentage points of a similar Vanguard fund, that's a good sign. "Screening for low-cost funds," says Kinnel, "is one of the easiest and most important ways to get to a good fund."

Looking for some answers? Send us your questions about investing. E-mail **answer_guy@moneymail.com**.

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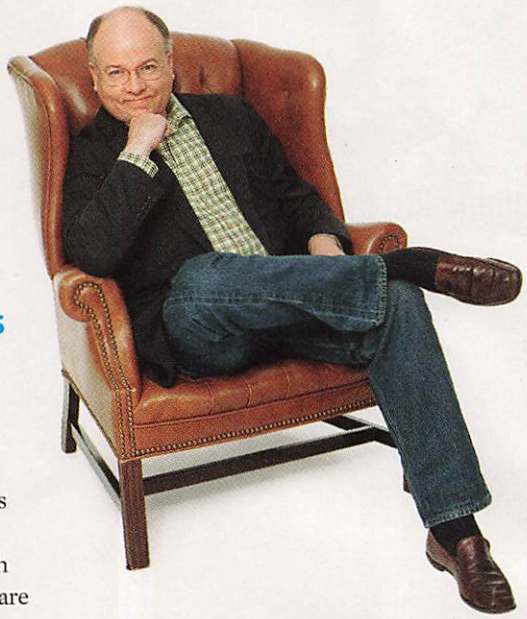
Why I'm Sticking with These Two Leaders

Low prices, ample dividends and smart business plans give B of A and DuPont the chance for further gains



Stocks had a big run in the second half of 2006, with the Dow shooting up 16%. Plenty of big growth companies shared in the gains, including 46 of the Sivy 70 that are now trading near their 2006 highs. Considering that real estate prices are sinking and some economists are warning of a slump, you may be wondering if this is the time to trim your portfolio and take profits on your big winners or whether a few market leaders are still worth buying.

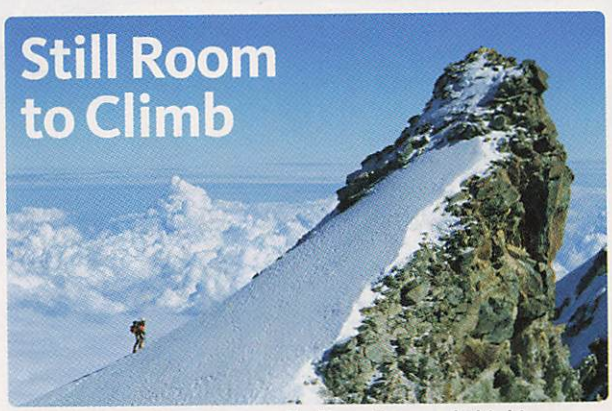
It's always worth checking to see if top-performing stocks have reached levels where you should sell. But as a group, blue chips aren't overvalued. Their price/earnings ratios are still slightly below their historical average, and some are trading at discounts as big as 20%. So you can still find bargains that offer good chances for further gains in 2007, as well as protection against losses if the economy hits a bad patch. Here's what I look for:

› **A price near the 2006 high.** You might think that stocks near their highs are the most vulnerable to setbacks. But market leaders typically have improving outlooks, while stocks that couldn't keep up are still struggling with problems. That doesn't mean depressed stocks are always bad buys. Last month I recommended **Home Depot** (ticker symbol: HD), which has been hurt by the housing slump, because it looks like a long-term bargain. But a stock that has been advancing and still looks fairly priced is most likely to keep leading the market.

› **A low price/earnings ratio.** Shares with P/Es below the typical blue chip's 16.8 are attractive because they can deliver gains if their multiples simply rise to an average level. All it would take is for their strengths to be more widely recognized.

› **A dividend yield of 3% or more.** Stocks that pay considerably more than the 1.7% of the S&P 500 tend to be less risky because high payouts would help support their share prices in a weak market.

Screening the Sivy 70 by these measures gets you down to half a dozen stocks. But there's one more quality to look for: You want a company that is reshaping its business to speed up earnings growth and attract new buyers. Two that really stand out are Bank of America and DuPont.



A lot of stocks have done well of late. Forward-thinking CEOs and high dividends should keep these two moving.

BANK OF AMERICA		DUPONT	
TICKER	BAC	TICKER	DD
PRICE	$53.32	PRICE	$48.75
52-WEEK RANGE	$43-$55	52-WEEK RANGE	$39-$49
P/E	10.8	P/E	15.2
YIELD	4.2%	YIELD	3.0%

NOTE: As of Dec. 15. P/Es based on estimated 2007 earnings. SOURCE: Thomson/Baseline.

B of A Could Be No. 1

With a fat 4.2% yield, Bank of America is a favorite for income. But the financial services company has also been expanding so fast that it may soon be No. 1, surpassing Citigroup. Over the past 15 years, B of A has acquired a string of domestic banks. Now CEO Ken Lewis is beefing up other areas. After buying MBNA, B of A is the top issuer of credit cards. The announced purchase of U.S. Trust from Charles Schwab will also make B of A the largest private bank. Recently the bank was reportedly talking about a merger with Barclays, a leader in the U.K.

Expansion offers the chance to enhance profit margins by cutting costs. Ultimately, though, a bank's profitability depends on interest rates. With short- and long-term rates nearly equal, lending isn't a great business nowadays. But once the Federal Reserve starts lowering short-term rates, margins should snap back, giving earnings a quick boost that would hand a huge bonus to investors who buy Bank of America today.

Veer

DuPont Goes High-Tech

Perpetually tied with Dow for the title of biggest U.S. chemical company, DuPont has the reputation of being stodgy and overly dependent on low-profit commodities like bulk chemicals. But that business hides a high-tech DuPont that's going global. CEO Chad Holliday recently noted that a third of the company's 2006 revenue would come from new products and added that the percentage has risen for six years in a row.

DuPont's past successes include Teflon for nonstick pans and Kevlar for bullet-proof vests. But today's hot products are even more sophisticated. Among them: solar cells and filtration membranes. DuPont has also cut back its old-line agricultural business, including herbicides and insecticides, and is pouring the money it saved into genetically engineered seeds and other biotech products.

Some of these projects have great opportunities in the U.S., particularly in energy conservation. But the greatest potential is overseas. More than a third of DuPont's revenue comes from outside the world's leading economies. And emerging market revenue has more than doubled over the past five years. It's hard to resist growth like that when it comes wrapped in a 3% yield. **$**

Read editor-at-large Michael Sivy online every Tuesday at cnnmoney.com/sivy. E-mail him at **msivy@moneymail.com.**

Sivy 70

BLUE-CHIP GROWTH STOCKS FOR THE LONG RUN

Blue-chip stocks made broad gains in the four weeks that ended Dec. 15. Two Sivy 70 stocks rose more than 10%, while none were down that much. **ConocoPhillips** gained 13.7% as the price of oil turned up and analysts rated the stock, which has a 7.7 P/E, as a bargain. Barry Diller's **InterActiveCorp** rose 14.2%. The online company has joined the S&P 500 and recently launched a new city guide service that is being well received.

STOCK (TICKER)	PRICE	1-MONTH RETURN	12-MONTH RETURN	P/E RATIO	EARNINGS GROWTH	YIELD
Abbott Laboratories (ABT)	$48.47	3.1%	26.4%	17.3	10%	2.5%
Aetna (AET)	43.20	4.2	–11.2	13.3	15	0.1
AFLAC (AFL)	45.01	1.6	–4.4	13.7	15	1.6
Alcoa (AA)	31.04	8.7	12.1	10.6	11	2.0
American Express (AXP)	61.64	3.6	20.9	18.2	13	1.0
Amgen (AMGN)	70.22	–4.6	–12.7	15.9	15	0.0
Anadarko Petroleum (APC)	45.50	–4.3	–6.9	7.7	16	0.8
Anheuser-Busch (BUD)	48.44	3.2	12.7	17.3	9	2.5
Applied Materials (AMAT)	18.13	–2.8	–3.7	13.6	15	1.1
Bank of America (BAC)	53.32	–1.1	18.8	10.8	9	4.2
Best Buy (BBY)	50.39	–5.1	13.1	15.9	15	0.8
Boeing (BA)	90.70	4.2	29.8	19.1	16	1.6
Burlington Northern (BNI)	75.20	0.1	13.2	13.2	15	1.3
Caterpillar (CAT)	61.82	0.6	7.2	11.0	16	1.9
Cisco Systems (CSCO)	27.56	3.6	55.2	18.2	15	0.0
Citigroup (C)	54.07	7.1	14.1	11.8	10	3.5
Coca-Cola (KO)	48.93	5.6	21.9	19.2	8	2.5
Colgate-Palmolive (CL)	65.33	1.6	18.1	20.0	10	2.0
Comcast (CMCSA)	42.95	6.7	59.7	32.0	17	0.0
↑ ConocoPhillips (COP)	72.77	13.7	26.3	7.7	7	2.0
CVS (CVS)	30.52	3.7	7.2	16.2	15	0.5
Danaher (DHR)	73.49	0.1	28.2	19.7	15	0.1
Dell (DELL)	26.53	3.0	–19.3	19.4	13	0.0
Disney (DIS)	34.30	5.9	39.9	17.2	14	0.9
DuPont (DD)	48.75	3.0	17.1	15.2	9	3.0
ExxonMobil (XOM)	77.30	3.3	32.1	12.4	9	1.7
FedEx (FDX)	115.06	–1.8	14.7	15.1	15	0.3
First Data (FDC)	24.68	0.7	4.8	18.0	12	0.5
Fortune Brands (FO)	83.30	3.7	11.0	14.9	11	1.9
Genentech (DNA)	80.79	0.4	–14.1	30.4	29	0.0
General Dynamics (GD)	72.52	–1.8	28.5	15.3	10	1.3
General Electric (GE)	37.36	4.4	6.6	16.8	10	2.9
Harley-Davidson (HOG)	69.51	–3.3	32.0	16.0	12	1.2
Hershey (HSY)	51.02	–2.9	–9.9	19.8	10	2.1
Home Depot (HD)	39.89	6.6	–4.7	13.6	12	2.3

STOCK (TICKER)	PRICE	1-MONTH RETURN	12-MONTH RETURN	P/E RATIO	EARNINGS GROWTH	YIELD
IBM (IBM)	$95.30	2.4%	15.4%	14.6	10%	1.3%
Illinois Tool Works (ITW)	46.80	–0.9	6.0	14.1	13	1.8
Intel (INTC)	20.96	–6.1	–19.6	18.6	12	1.9
↑ InterActiveCorp (IACI)	38.45	14.2	40.0	21.5	13	0.0
Johnson & Johnson (JNJ)	66.29	0.2	12.6	16.3	10	2.3
Johnson Controls (JCI)	84.15	–1.0	16.3	12.0	14	1.6
J.P. Morgan Chase (JPM)	48.30	1.8	25.5	12.2	10	2.8
Lilly (LLY)	54.52	0.3	–0.3	16.3	9	3.0
Limited Brands (LTD)	30.45	–3.7	34.2	15.7	12	2.0
Lowe's (LOW)	31.41	2.8	–9.2	15.4	15	0.8
Merrill Lynch (MER)	91.56	1.2	36.2	12.6	12	1.1
Microsoft (MSFT)	30.19	3.7	13.5	17.9	12	1.3
Nike (NKE)	96.05	1.0	8.5	15.1	14	1.5
Northrop Grumman (NOC)	67.27	–0.7	15.0	13.9	10	1.8
Omnicom Group (OMC)	105.87	3.9	22.3	18.9	12	0.9
PepsiCo (PEP)	62.89	3.2	7.5	19.0	11	1.9
Pfizer (PFE)	25.64	–3.4	16.7	11.8	5	3.7
Procter & Gamble (PG)	64.11	1.6	10.7	18.6	11	1.9
Schlumberger (SLB)	67.55	3.4	34.6	18.0	25	0.8
Staples (SPLS)	27.41	5.2	19.2	18.5	15	0.8
Sysco (SYY)	36.24	1.5	12.7	20.0	13	2.1
Target (TGT)	58.76	1.0	8.5	16.4	15	0.8
Texas Instruments (TXN)	29.67	–1.7	–10.5	17.3	18	0.5
3M (MMM)	78.31	–2.4	3.4	15.7	11	2.3
Time Warner (TWX)	21.66	8.7	22.6	21.5	13	1.0
T. Rowe Price (TROW)	44.50	–1.8	20.6	20.2	12	1.5
Tyco International (TYC)	30.34	1.5	8.6	13.5	13	1.3
UnitedHealth Group (UNH)	50.09	4.4	–20.9	14.6	17	0.1
United Technologies (UTX)	62.45	–4.8	10.2	15.0	11	1.7
Viacom (VIAB)	37.98	–1.3	–11.5	16.7	17	0.0
Walgreen (WAG)	44.50	4.0	–3.2	19.6	15	0.7
Wal-Mart (WMT)	46.45	–2.2	–4.3	14.5	13	1.4
Washington Mutual (WM)	45.23	5.0	7.5	11.0	10	4.7
Wells Fargo (WFC)	35.65	–1.6	15.3	13.0	10	3.1
Wyeth (WYE)	51.17	4.6	17.0	14.7	9	2.0

NOTES: As of Dec. 15. P/E ratios based on estimated earnings for 2007. Earnings growth is compound annual rate projected for five years by analysts covering the stock.
↑ Up 10% or more for the month. **SOURCE:** Thomson/Baseline.

Invest to Win 2007

All you need to know to build and maintain a brilliant (and simple) investment plan for this year and beyond

The MONEY 70
Build a wealthy future with funds from our recommended list.
PAGE 61

Perfect Money Makeovers
We help craft the right strategy for five families at different stages of life.
PAGE 68

Mutual Fund Scorecard
Get performance statistics for 1,000 of the largest funds.
PAGE 78

PHOTOGRAPH **BY ROB HOWARD**

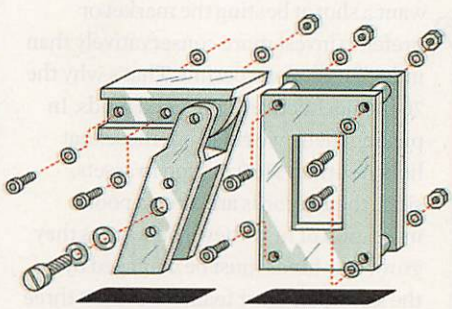
›Brian and Kim O'Donnell plan to form a jumble of mismatched funds into a solid investment plan. See page 72.

THE MONEY 70

THE BEST MUTUAL FUNDS YOU CAN BUY

Our MONEY 70 funds are built to last, no matter what the market brings.

Use them to create a steel-plated portfolio that will get you to your goals.



Sometimes you feel the biggest regrets when everything is going right. Stock funds have delivered solid returns for four years in a row, the Dow Jones industrial average has broken new records, and your portfolio has been growing nicely. It's all good, but...darn, if only you'd had more money last year in emerging markets (up 29% on average) or real estate funds (up 33%). Now your 12% or 15% return looks, well, kind of lousy.

Get over it. Obsessing over performance numbers is exactly the wrong way to build an investment portfolio. You'll feel a lot better—and become a better investor—if you accept this inconvenient truth: Trying to predict which funds will deliver the best short-term returns is futile. Funds that zoom to the top of the charts often get there because either their area of the market is hot (see above) or their managers are taking huge risks. History suggests that the place to look for them next year is the bottom of the rankings.

That's why MONEY's list of recommended funds is not about aiming for the highest short-term returns. Our lineup is designed to let you build a well-balanced portfolio that will help you reach your most important financial goals, like putting your kids through college, starting a business or achieving a comfortable retirement.

To identify funds that deserve a spot on our list, we focus on criteria that have real predictive value: low expenses, a strong record for putting share-

BY PENELOPE WANG

ILLUSTRATIONS BY HARRY CAMPBELL

holder interests first and a consistent investment strategy. A fund that meets our standards typically ends up delivering above-average returns—two-thirds of the actively-managed funds on our list posted returns that ranked in the top half of their category last year, and nearly 90% did so over five years. (The complete list of funds begins on page 64.)

Our roster includes a range of actively managed stock, bond and specialty portfolios, as well as a full complement of low-cost index and exchange-traded funds. Or you can put your investments on cruise control with one of our target-date retirement portfolios, which automatically shift their asset mix to become more conservative as you get older.

This year we added six funds (and dropped one) to what had been the MONEY 65. That allowed us to include several funds that can provide you with more diversification—including investments in real estate, emerging markets stocks and commodities. It also let us include a few funds run by talented managers who don't fit into standard fund categories because they invest in companies of all sizes. (To see how the MONEY 70 can be used to build portfolios for a variety of financial goals, check out "The Perfect Money Makeover" on page 68.)

A GRIP ON COSTS

MONEY 70 funds keep their costs down. And over the long run, there's no better predictor of solid performance than low fees.

AVERAGE EXPENSES AS % OF ASSETS

.8% MONEY 70 STOCK MUTUAL FUNDS

vs.

1.5% AVERAGE STOCK MUTUAL FUND

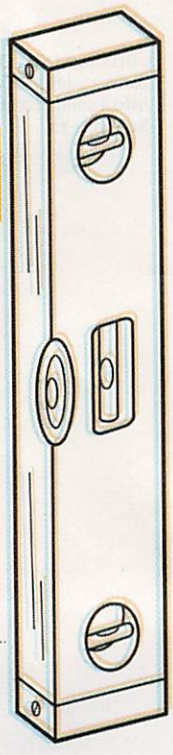
How We Pick 'Em

MONEY has long preached that the core of most people's portfolios should be in index funds. Their low costs and ease of use make them hard to beat. To select index funds for the MONEY 70, we sought portfolios with ultralow expenses (so your return is as close as possible to the return of the market segment the fund tracks) and focused on companies with strong indexing track records. That sounds like a job description for Vanguard, and that fund group dominates our index roster. Still, Fidelity's index funds are highly competitive, and two of its entries make the grade. We took the same approach with our ETFs—here Barclays iShares rules our list, along with Vanguard.

But we also know that many investors want a shot at beating the market or prefer to invest more conservatively than index funds alone permit. That's why the 70 includes actively managed funds. In picking them, we ruled out those that hold less than $100 million in assets, since their records are often a poor indication of how they'll operate as they grow. Our funds must be managed by the same person or team for at least three years, although we may include a new fund run by managers with established records; and managers must follow a well-defined investing strategy. We winnowed out funds with expenses that are above average for their category, as well as those that trade excessively, which racks up performance-sapping costs.

When it comes to performance, we looked for funds that rank in the top half of their category over five years. But we'll keep lagging funds that are already on our list if the underperformance is simply attributable to the manager's stock-picking style being out of favor, not to poor investing or other problems. That's the case with American Funds American Mutual, FAM Value, Fidelity Dividend Growth, FPA New Income and Madison Mosaic Investors, which now have mediocre five-year records. You don't want to dump a fund just as the manager's style comes back in vogue, and we believe these pros can do well again. But we'll keep an eye on them. (Check your funds by going to our Mutual Fund Scorecard on page 78.)

Finally, in order to make sure that shareholder interests come first, we eliminated funds that received a stewardship grade of less than B from Morningstar. The grades are based on a fund's status with regulators; the quality of its board of directors; expenses; manager incentives; and corporate culture. If Morningstar doesn't grade a fund, we used our judgment.



A LEVEL DEAL FOR YOU

We look for funds that put their shareholders first instead of their managers, so we focus on those that get a stewardship grade of B or above from Morningstar.

23%

OF MONEY 70 FUNDS GET AN A FROM MORNINGSTAR.

How to Use the MONEY 70

These two model asset allocations **provide a good starting point for creating a diversified portfolio using our funds.** To see how this plays out in real life, turn to "The Perfect Money Makeover" on page 68.

This Year's Changes

A so-so stewardship grade accounts for one of the changes on our list: We dropped Meridian Value. Run by Richard Aster and James England, the fund got a C from Morningstar due to concerns that the managers' compensation plan encourages asset building at the expense of shareholders and that England has little of his own money in the fund. Aster says shareholders aren't being hurt, and while we don't think you need to sell the fund, it would be better if he and England made changes. We continue to recommend Meridian Growth, a midcap growth fund led by Aster, which gets a B grade from Morningstar.

Now for the additions. Our new "multicap" category highlights managers who go wherever they see bargains, whether among small- or large-company stocks. True, a multicap fund can complicate your asset allocation, but stashing 5% of your stock portfolio in one can give you a shot at higher returns without your taking on too much risk.

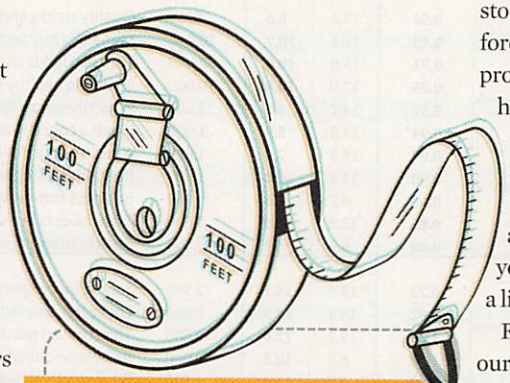
We reassigned the Muhlenkamp fund, formerly a midcap entry, since the go-anywhere category is a better fit for manager Ron Muhlenkamp's strategy. We're adding Bridgeway Aggressive Investors 2, run by John Montgomery, who uses computer models to pick stocks in all market-capitalization ranges. The Bridgeway shop runs 10 other funds, all with rock-bottom fees and good performance records. Another newcomer is Weitz Hickory, run by Wally Weitz, a well-known manager who buys out-of-favor stocks with the goal of holding them until the market recognizes their value.

Two former entries on our list are returning. One is FPA Perennial, a one-time small-cap fund that we dropped when the managers began buying more midcap stocks. It's now in our midcap category. The other returning fund is Third Avenue Real Estate Value, which recently reopened to new investors. Unlike most real estate funds, which invest in real estate investment trusts, Third Avenue focuses on operating companies as well as foreign stocks. Since REITs have been on a tear lately, Third Avenue's returns seem underwhelming. But over the long run, the fund's strategy offers potential for bigger gains than REITs and provides greater diversification.

We've made two other moves on the diversification front. We added T. Rowe Price Emerging Markets, which includes stock picks from three T. Rowe regional foreign funds. The combination has proved a winning formula, since the fund has more than kept up with the sizzling returns in this category. After such a great run, however, performance is bound to cool, and emerging markets are prone to stomach-turning drops. If you're just starting to invest now, put in a little each month and stay with it.

Finally, we added a diversifier to our index lineup: iPath Dow Jones-AIG Commodity Index Total Return. This is technically an exchange-traded *note*, or debt security. That structure is designed to minimize taxes, but for all practical purposes, this offering is an ETF: You buy and sell it through your broker just like a stock. Unlike other commodity ETFs, which invest the bulk of their assets in energy, the iPath ETN also holds substantial stakes in metals and agricultural products—again providing broader diversification. Holding a 3% to 10% stake in commodities can reduce the risk in your portfolio, since those assets do not move in sync with the U.S. stock market.

Will the funds in the MONEY 70 perform better than the majority of their peers next year or the year after that? We don't know, and anyone who claims to is fibbing. What we do know is that your returns won't be eroded by high fees, and that the managers won't betray your trust and will hew to their investing strategy. That, in turn, will make it easier for you to build toward your goals. So no more regrets that you didn't happen to own last year's hottest funds. Instead, use the MONEY 70 to construct a portfolio to last, and in the long run you'll do just fine.



TALE OF THE TAPE

We don't promise that MONEY 70 funds will crush the market. But the qualities we value in a fund usually translate into good performance.

67% OF MONEY 70 ACTIVELY MANAGED FUNDS POSTED RETURNS IN THE TOP HALF OF THEIR CATEGORY IN 2006.

Basic mix for a 40-year-old

75% Stocks
- **35% DOMESTIC** 20% Large/5% Mid/5% Small/5% Multicap
- **10% SPECIALITY** 5% Real estate/5% Commodities
- **30% FOREIGN** 25% Large/5% Small-mid or emerging markets

25% Bonds
10% Intermediate/5% High yield/5% Foreign/5% TIPS

Basic mix for a 60-year-old

55% Stocks
- **35% DOMESTIC** 25% Large/5% Mid/5% Small
- **7% SPECIALITY** 4% Real estate/3% Commodities
- **13% FOREIGN** 9% Large/4% Small

45% Bonds
20% Intermediate/10% Short term/5% High yield/10% TIPS

TABLES START ON PAGE 64

THE MONEY 70

To build a strong portfolio that will serve you over the long run, you need to start with well-run funds that treat you fairly—like the 70 below and on page 66.

ACTIVELY MANAGED FUNDS

If you enjoy investing, **these funds let you try to do better than the market.**

FUND (TICKER)	STYLE	EXPENSES (% OF ASSETS)	% TOTAL RETURN ONE YEAR	% TOTAL RETURN FIVE YEARS[1]	MINIMUM INITIAL INVESTMENT	COMMENTS
LARGE-CAP						
Amer. Funds Amer. Mutual (AMRMX)[2]	Value	0.56	15.8	8.6	$250	Quality stocks and above-average yield—great for low-risk investors
Sound Shore (SSHFX)	Value	0.98	15.2	10.7	10,000	Managers buy beaten-down companies and hang on for the rebound
T. Rowe Price Equity Income (PRFDX)	Value	0.71	18.0	10.0	2,500	Portfolio holds sturdy blue chips that deliver S&P-beating yields
Vanguard Windsor II (VWNFX)	Value	0.35	17.0	10.8	10,000	Invests in healthy stocks with low P/Es and high dividends
Fidelity Dividend Growth (FDGFX)	Blend	0.59	14.1	4.9	2,500	When megacap stocks are back in vogue, this fund should benefit
Madison Mosaic Investors (MINVX)	Blend	0.94	14.8	5.9	1,000	Holds a concentrated portfolio of 30 blue-chip stocks
Matrix Advisors Value (MAVFX)	Blend	0.99	15.3	7.4	1,000	A focused portfolio with recent bets on media and tech stocks
Selected American (SLASX)	Blend	0.90	14.4	10.0	1,000	Bargain-hunting managers tend to favor financial companies
American Funds Amcap (AMCPX)[2]	Growth	0.65	8.7	6.6	250	Balances fast-growing large stocks with a cash stake
Jensen (JENSX)	Growth	0.85	12.8	5.0	2,500	Team invests in a select portfolio of steadily growing blue chips
T. Rowe Price Blue Chip (TRBCX)	Growth	0.85	8.3	5.2	2,500	Buys household-name stocks and holds them long term
MIDCAP						
Fidelity Value (FDVLX)	Value	0.72	15.3	15.1	2,500	Search for bargains has led the fund into tech stocks lately
Janus Mid Cap Value (JMCVX)	Value	0.92	15.4	13.9	2,500	Looks for cash-rich stocks selling at historical lows
Aston Mid Cap (CHTTX)	Blend	1.23	19.1	12.0	2,500	This focused portfolio of 40 stocks recently held a big media stake
FAM Value (FAMVX)	Blend	1.18	8.3	10.5	500	Its bets on out-of-favor sectors mean periods of underperformance
FPA Perennial (FPPFX)[3]	Blend	0.90	3.7	11.8	1,500	Buys stocks at deep discounts and waits for a turnaround
Meridian Growth (MERDX)	Growth	0.85	15.1	10.9	1,000	Managers like double-digit growth but won't pay high prices for it
Primecap Odyssey Agg. Gr. (POAGX)	Growth	1.25	21.8	N.A.	2,000	Run by managers of an outstanding closed Vanguard fund
SMALL-CAP						
Royce Opportunity (RYPNX)	Value	1.14	18.4	16.9	2,000	Manager diversifies widely among low-priced small-caps
Royce Pennsylvania Mutual (PENNX)	Blend	0.90	14.3	15.5	2,000	Combines both small-cap and microcap stocks to form a core offering
Neuberger Berman Fasciano (NBFSX)	Growth	1.20	3.5	8.3	1,000	Cautious growth approach gives solid returns without big risks
T. Rowe Price New Horizons (PRNHX)	Growth	0.84	6.5	10.3	2,500	Seeks out small-caps poised to deliver big earnings
MULTICAP						
Muhlenkamp (MUHLX)		1.06	2.5	11.9	1,500	Uses economic forecasts to help guide stock picking
Bridgeway Agg. Inv. 2 (BRAIX)		1.12	5.5	11.7	2,000	Relies on computer models to buy stocks of all sizes
Weitz Hickory (WEHIX)		1.20	22.1	11.2	5,000	Holds a concentrated group out-of-favor companies
SPECIALTY						
Cohen & Steers Realty (CSRSX)	Real estate	0.97	36.0	25.6	10,000	A diversified portfolio of high-quality REIT stocks
Third Ave. Real Estate Value (TAREX)	Real estate	1.14	29.6	22.8	10,000	Favors U.S. and foreign real estate operating companies
T. Rowe Price New Era (PRNEX)	Nat. Res.	0.68	18.7	21.8	2,500	Not all about energy, this fund invests in utilities, mining and more
FOREIGN						
Dodge & Cox International (DODFX)	Large value	0.70	27.4	21.1	2,500	Buys undervalued stocks in developed markets and rarely sells them
Oakmark International (OAKIX)	Large value	1.11	29.1	18.0	1,000	A bargain-hunting fund that often dips into emerging markets
American Funds EuroPacific (AEPGX)[2]	Large blend	0.76	22.2	15.4	250	Multiple managers keep this big fund ahead of its peers
Vanguard Intl. Growth (VWIGX)	Large blend	0.55	26.5	14.4	3,000	Holds mainly high-quality growth stocks from Europe and Japan
Artisan International (ARTIX)	Large growth	1.20	25.6	13.2	1,000	Invests in both developed and emerging markets, including China
T. Rowe Price Intl. Discovery (PRIDX)	Small/mid growth	1.28	28.5	22.6	2,500	Favors fast-growing small fry, mainly in developed nations
SSgA Emerging Markets (SSEMX)	Emerging markets	1.25	32.8	27.5	1,000	Uses quantitative computer models to screen for the best buys
T. Rowe Price Emer. Markets (PRMSX)	Emerging markets	1.27	31.5	27.6	2,500	Multiple managers hunt for strong earnings growth in the Third World
CORE BOND						
Dodge & Cox Income (DODIX)		0.44	5.7	5.7	2,500	Holds a mix of government and high-quality corporate issues
FPA New Income (FPNIX)[4]		0.61	4.9	4.4	1,500	Often keeps maturities short to avoid risk
Harbor Bond (HABDX)		0.58	4.9	5.8	1,000	The cheapest way to invest with bond superstar Bill Gross
Vanguard Inflation-Protected (VIPSX)		0.20	2.3	7.4	3,000	TIPS and nothing but TIPS
SPECIALTY BOND						
Vanguard Intm. Term T/E (VWITX)		0.16	5.1	4.5	3,000	Low fees give this fund a leg up on the competition
American Funds H/Y (AHITX)[5]		0.65	12.1	9.6	250	Posts above-average returns without owning the junkiest junk
American Century Intl. Bond (BEGBX)		0.82	7.5	10.3	2,500	Foreign bond holdings do well when the dollar is weak

NOTES: As of Dec. 15. N.A.: Not available. [1]Annualized. [2]5.75% sales load. [3]5.25% sales load. [4]3.50% sales load. [5]3.75% sales load. **SOURCE:** Morningstar.

Fund Lingo

How to read the fund tables

- **LARGE-CAP** Invests in companies that the stock market values, or capitalizes, in the tens of billions of dollars
- **SMALL-CAP AND MIDCAP** Invest in smaller firms
- **CORE BOND** Buys debt of the U.S. government and of financially strong corporations
- **SPECIALTY** Targets investments that don't move in sync with the stock and bond markets
- **VALUE** Looks for companies that are selling at bargain prices
- **GROWTH** Focuses on companies with fast-growing earnings
- **BLEND** Owns both growth and value stocks

See the fund tables starting on page 78 for more performance figures and contact phone numbers.

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1. Annual Percentage Yield is effective 12/05/06 and is subject to change. A $1 minimum deposit is required to open a new account. Withdrawal limits apply. Online statements required.
2. The Annual Percentage Yield (APY) of the Complete Savings Account as of 11/29/06 is more than 6 times the national average APY for savings accounts with balances of $25,000. Source: Informa Research Services, Inc., Calabasas, CA. www.informars.com. Although the information has been obtained from the various institutions themselves, the accuracy cannot be guaranteed.
3. **For details and important information about Quick Transfer, please visit etrade.com/quicktransferdetails** for a listing of the limitations, restrictions and time deadlines associated with this service.

The E*TRADE FINANCIAL family of companies provides financial services that include trading, investing, banking and lending. Banking and lending products and services are offered by E*TRADE Bank, a Federal savings bank, Member FDIC, or its subsidiaries. Bank deposits are FDIC-insured up to $100,000.

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Member FDIC

THE MONEY 70

INDEX FUNDS

The ideal building blocks for most people, **they deliver market returns at low cost.**

FUND (TICKER)	STYLE	EXPENSES (% OF ASSETS)	% TOTAL RETURN ONE YEAR	% TOTAL RETURN FIVE YEARS[1]	MINIMUM INITIAL INVESTMENT
LARGE-CAP					
Fidelity Spartan Total Market (FSTMX)	Blend	0.10	14.6	8.1	$10,000
Vanguard Total Stock Market (VTSMX)	Blend	0.19	14.4	8.1	3,000
Fidelity Spartan 500 Index (FSMKX)	Blend	0.10	14.4	6.7	10,000
Vanguard 500 Index (VFINX)	Blend	0.18	14.3	6.7	3,000
MIDCAP					
Vanguard Mid-Cap Index (VIMSX)	Blend	0.22	13.9	13.3	3,000
Vanguard Small Cap Index (NAESX)	Blend	0.23	15.1	12.6	3,000
FOREIGN					
Vanguard Total International Stock (VGTSX)	Large blend	0.31	27.2	16.5	3,000
Fidelity Spartan International (FSIIX)	Large blend	0.10[2]	26.4	15.1	10,000
Vanguard Emerging Markets Stock (VEIEX)	Emerging markets	0.45	30.0	25.9	3,000
SPECIALTY					
Vanguard REIT Index (VGSIX)	Real estate	0.21	34.2	23.0	3,000
BOND					
Vanguard Total Bond Market (VBMFX)	Intermediate	0.20	5.1	4.9	3,000
Vanguard Short-Term Bond (VBISX)	Short term	0.18	4.3	3.5	3,000

NOTES: As of Dec. 15. [1]Annualized. [2]Includes a waiver. **SOURCE:** Morningstar.

EXCHANGE-TRADED FUNDS

ETFs work like index funds but can be even cheaper if you're making a big lump-sum investment.

FUND (TICKER)	STYLE	EXPENSES[1] (% OF ASSETS)	% TOTAL RETURN ONE YEAR	% TOTAL RETURN FIVE YEARS[1]
LARGE-CAP				
Vanguard Total Stock Market (VTI)	Blend	0.07	14.5	8.2
iShares S&P 500 Index (IVV)	Blend	0.10	14.3	6.7
MIDCAP				
Vanguard Mid-Cap (VO)	Blend	0.13	14.1	N.A
Vanguard Small-Cap (VB)	Blend	0.10	15.3	N.A.
FOREIGN				
iShares MSCI EAFE Index (EFA)	Large blend	0.35	26.2	15.3
Vanguard Emerging Markets (VWO)	Emerging markets	0.30	30.1	N.A.
SPECIALTY				
Vanguard REIT (VNQ)	Real estate	0.12	34.3	N.A.
iShares Goldman Sachs Nat. (IGE)	Natural resources	0.50	17.3	20.0
iPath Dow Jones-AIG Commodity (DJP)	Commodities	0.75	N.A.	N.A.
iShares Dow Jones Select Dividend (DVY)	Dividend stocks	0.40	17.1	N.A.
BOND				
iShares Lehman U.S. Aggregate Bond (AGG)	Intermediate term	0.20	4.9	N.A.
iShares Lehman 1-3 Year Treasury (SHY)	Short-term gov.	0.15	4.0	N.A.
iShares Lehman TIPS Bond (TIP)	Inflation protected	0.20	2.2	N.A.

NOTES: As of Dec. 15. N.A.: Not available. [1]Audited and annualized figures except for DJP. **SOURCES:** Morningstar, Barclays.

TARGET-RETIREMENT FUNDS

True hands-off investments, these funds own stocks and bonds and get more conservative as you approach retirement.

FUNDS	NUMBER OF TARGET FUNDS	MIN. INITIAL INVESTMENT	STARTING OUT ALLOCATION STOCKS/BONDS	STARTING OUT EXPENSES (% OF ASSETS)	MID-CAREER ALLOCATION STOCKS/BONDS	MID-CAREER EXPENSES (% OF ASSETS)	RETIRED ALLOCATION STOCKS/BONDS	RETIRED EXPENSES (% OF ASSETS)
Vanguard Target Retirement	11	$3,000	87%/13%[1]	0.21	70%/30%[1]	0.21	30%/70%[1]	0.21
T. Rowe Price Retirement	10	$2,500	89%/11%[1]	0.76	77%/23%[1]	0.72	42%/58%[1]	0.56

NOTES: As of Dec. 15. [1]Includes cash. **SOURCE:** Morningstar.

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The Perfect Money Makeover

Now you know the 70 best funds to buy. But how do you put them to use in real life?

See how MONEY helped craft smart investing plans for five families; then use the lessons to develop your own.

BY ASA FITCH, AMANDA GENGLER, JOSH HYATT AND DONNA ROSATO

Married, with Windfall

A six-figure surprise inheritance created a high-class dilemma: mutual funds or real estate?

When Cynthia Centeno and Richard Rivera started dating, they quickly realized they had a lot in common. Both had grown up in the Bronx, earned master's degrees in public administration and pursued careers in the nonprofit world. One area where they differed was money. Centeno was a saver who believed any debt was bad, whereas Rivera got his first piece of plastic in college and owed

THE CENTENO/RIVERAS
They've got decades before they retire, but first, seven-year-old Indira will need money for college.

PHOTOGRAPH BY **JUSTIN STEELE**

$20,000 on five credit cards. But after they decided to marry and their daughter Indira, now 7, was on the way, Rivera knew he had to make some changes. "Having our daughter made me rethink how I spend money and the importance of saving," he says. Today both Rivera, 38, and Centeno, 34, are dedicated savers. The couple have pared down their debt to $3,000, stashed $20,000 for Indira's college education in a 529 plan and built up $35,000 in a bank account. And, as if their conversion to frugality weren't its own reward, last year they received a pleasant surprise: An elderly family friend unexpectedly left them a sizable inheritance. They put $110,000 in a certificate of deposit, which is coming due soon, forcing a decision. "It's a lot of money to us, and we're unsure how to invest it," says Centeno.

Where They Are Now

Rivera and Centeno, who hope to retire in their early sixties, believe that real estate is the key to wealth. They own two houses, one in Florida and another in North Carolina, as well as their apartment in the upscale Riverdale section of the Bronx. Their goal is to buy another investment property each year. All together, they have about $390,000 in real estate equity. "We just don't think our incomes and retirement plans will be enough to give us the financial future we want," says Rivera. That's why they've been far less ambitious about investing in their employer's retirement plans. Rivera, a director of college prep programs for minority high school students, puts $6,000 a year into his 403(b), enough to get his employer's match. So far he's saved just $60,000. Before Centeno left her job last September to study full time to become a speech pathologist, she had built up only $10,000 in her 403(b). A full scholarship will cover her $70,000 total tuition, but the couple will be living on half their former $145,000 income for the next few years.

With 40% of their money tied up in investment properties, Centeno and Rivera have too much real estate, says Manhattan financial planner Lauren Prince. Although the rent from the properties covers the mortgages and related expenses, "being a long-distance landlord is risky," Prince says. "There are so many potential costs, like maintenance and unexpected vacancies. Plus, we don't know if housing prices will continue to go up."

PROBLEM
Centeno and Rivera are taking a big risk by betting their financial future on real estate.

MAKEOVER
Take a break from buying homes and invest a recent windfall in stocks and bonds.

PAYOFF
If real estate takes a hit, they won't lose their entire retirement savings.

What They Should Do

To start, Prince suggests that Centeno and Rivera stop buying homes and add to their stock and bond portfolio instead.

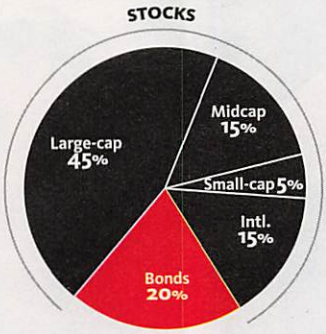
That portfolio will get a major jump-start from the inheritance, now worth $113,000 with interest. First, Rivera and Centeno should use $3,000 to pay off their credit-card debt and $8,000 to fully fund Roth IRAs this year. Next they should make a $12,000 contribution to Indira's 529 college savings plan, investing it in a high-growth portfolio largely made up of stocks. The pair should put the rest of the inheritance (about $90,000) in a high-interest savings account such as ING Direct's and gradually invest it over the next two years, says Prince. Buying stocks bit by bit will insulate their portfolio from the market's ups and downs, as well as give them a cash cushion for emergencies while Centeno is in school. They won't be retiring for several decades, so Prince suggests they maximize growth by keeping 80% of their portfolio in stocks. Since Centeno is nervous about stock market risk, Prince thinks they should keep a portion of their equity holding in value-oriented actively managed MONEY 70 funds such as Selected American and T. Rowe Price Blue Chip Growth, which have the potential to beat the overall stock market but typically don't lose as much in a downturn.

Rivera's current 80-20 stock-bond mix in his 403(b) is fine, says Prince. But Centeno should transfer the $8,000 in her former employer's 403(b) plan to an IRA to give her more investment options. They should continue to fund IRAs each year, and once Centeno is working full time again, they both should max out contributions to their retirement plans. If they follow this plan, Prince estimates, they'll have no trouble meeting their goal of retiring in their early sixties.

Centeno and Rivera are still enamored of real estate, but agree that the market is the right place for the inheritance. "It will be nice to have that money when we retire," says Centeno.

THE FIX

The Conservative Growth Portfolio
This mix, filled out with managed as well as index funds, suits a young couple in need of long-term growth but uneasy with stock market risks.



STRATEGIC PICK

Selected American (SLASX)
TYPE Large-cap **PHONE** 800-243-1575
The managers of this actively managed fund aim to buy high-quality stocks at a low price. In the past, the fund has also held up well during market slumps.

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Starting Out in Hock

First get rid of the loans. Then lose the lame investments.

PROBLEM
A third of their income goes to repaying debt, and they can't keep track of all their funds.

MAKEOVER
Sell a rental home and use the money to trim their debt load; combine investment accounts.

PAYOFF
They'll have more money to invest and an easier portfolio to keep tabs on.

THE O'DONNELLS
Before they can focus on investing, they'll need to pay off loans.

Like so many romances today, Kim and Brian O'Donnell's story began with a visit to an online dating website. Even though Kim lived 400 miles away and in another state, Brian e-mailed her after he noticed that her profile mentioned a love for the outdoors. Kim suggested they meet for some biking and night kayaking. That was the summer of '05. Exactly one year after meeting, the 34-year-olds relocated to a new home in North Carolina and married shortly thereafter. "It all happened really quickly," says Kim. "Suddenly there's all these things we hadn't thought about, like investments and insurance." And a mortgage. And a credit-card balance. And all those persistent student loans.

Where They Are Now

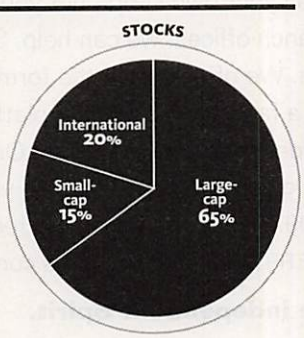
Brian, a pediatrician who went to medical school while in the Air Force, earns about $105,000 a year. He expects his clinic to offer him a partnership in 2009, which will likely bump up his salary but require an outlay of about $130,000. Kim, a former pricing analyst for a freight company, isn't working now and hopes to start a family soon. The newlyweds' debt has ballooned with their new $307,000 mortgage, along with $27,000 in car and student loans. They also just added $3,000 in credit-card debt, which they admit will likely increase as they begin furnishing their new house. On the other side of the ledger, Kim has almost $60,000 in a jumble of five retirement accounts and an annuity. She also owns a rental property in Fort Lauderdale valued at $250,000. Brian has $95,000 in his Thrift Savings Plan, the government's version of a 401(k), and another $36,600 in IRAs, most of it in high-fee mutual funds. Financial planner Karen Keatley of Charlotte, N.C. found that 36% of Brian's income goes toward payments on their loans. "This couple has too much debt and too little cash," she says.

What They Should Do

Given the O'Donnells' need for quick cash, Keatley thinks Kim should consider working for now. Another fast way to get on track: sell Kim's condo. Although the property would likely appreciate over time, the couple's need to free up cash is more pressing. They'd walk away with about $100,000, enough for them to retire their auto, student-loan and credit-card debt, saving them $11,000 a year in debt payments. It would also allow them to establish a much needed $35,000 emergency fund, make $8,000 in Roth IRA contributions this year and begin

THE FIX

The Starter Portfolio
With three decades to go until retirement, a young couple like the O'Donnells can—and should—bet heavily on stock funds.



STRATEGIC PICK

Vanguard 500 Index (VFINX)
TYPE Large-cap **PHONE** 800-851-4999
This fund's razor-thin annual costs (0.18% of assets) mean the O'Donnells will earn virtually what stocks earn in the years ahead, a perfect long-term formula for young savers.

PHOTOGRAPH BY **ROB HOWARD**

saving for Brian's partnership.

Next, Keatley recommends that the couple ditch their high-fee funds and consolidate their IRA plans with a single provider. Two of Kim's five accounts are 401(k)s from previous employers. She should roll both into a traditional IRA, which would give her more investment choices and less paperwork to keep track of. Kim also pays 1.5% in annual fees for an annuity she purchased in 1995 for $1,450, which is now worth just $1,600. That's a pathetic 10% gain over a decade. Keatley notes that the broker who sold that annuity could easily have made more on commissions than Kim did on the investment. Since Kim won't owe a surrender charge if she sells, she should bail out now.

Finally, noting their youth and willingness to take risks, Keatley suggests Brian and Kim keep 100% of their portfolio in stock funds and names three index choices: Vanguard 500 Index, Vanguard Small-Cap Index and Vanguard Total International Stock Index. The two should each max out Roth IRAs until Brian has enough tenure to start contributing to his 401(k). At that point the couple should start saving 15% of their income each year for retirement ("at least," says Keatley). And, furniture or no furniture, they should not take on any additional debt except to finance Brian's stake in the partnership. The O'Donnells agree. "We took on a lot all at once and overleveraged ourselves," says Brian. "Now it is time to start climbing out."

PHOTOGRAPH BY **MATTHEW MAHON**

Playing Catch-Up

How a smart fund strategy can (partly) make up for a late start

For her retirement, Marilyn Cazayoux doesn't need anything more elaborate than her home in the small city of Lafayette, La., the company of friends and nights zydeco dancing. Oh, and self-sufficiency: "I don't want to rely on help from my children," she says. But despite fastidious saving habits, the 57-year-old mother of two isn't sure whether she can realize her vision by her hoped-for retirement date in 10 years. After all, Cazayoux began saving only nine years ago, after divorce sent the former homemaker into the work force full time for the first time in decades.

Where She Is Now

In those nine years, Cazayoux has saved an impressive $145,000. But she'll receive no pension from the oil and gas pipeline supply company where she works as an account manager, and her only other source of retirement income will be an estimated $14,000 from Social Security. She squirrels 15% of her $53,000 pay into her 401(k) and puts an extra $75 a month toward the principal of the mortgage on the $175,000 home she bought last year, in hopes of paying it off in full before she retires. Her careful budgeting often leaves her with as much as $250 left over at the end of the month to add to her savings.

But while she's aggressive at day-to-day savings, she's way too conservative an investor. Concerned about the possibility of a bear market, she's put a third of her money in bonds and nearly

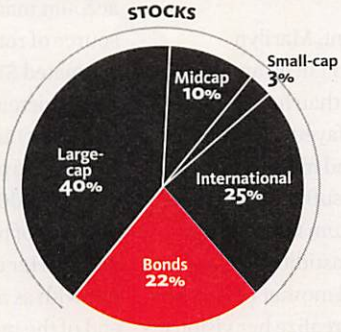
MARILYN CAZAYOUX A stay-at-home mom until her divorce nine years ago, Cazayoux needs to build up her small portfolio fast.

half in large-cap U.S. stocks. "I understand if there's not a big gain, but I don't think I can afford to lose," she says. The high investment expenses on her portfolio don't help either. Some of the eight funds in her $40,000 401(k) have annual fees of as much as 2%. That plus her too-cautious investing approach hurts Cazayoux's chances of accumulating enough money to retire securely in 10 years, says Robert Reed, a financial planner in Covington, La.

THE FIX

The Catch-Up Portfolio

This 78% stock stake is aggressive for a 57-year-old, but Cazayoux needs to go for growth. Broad diversification should help offset the risks.



STRATEGIC PICK

T. Rowe Price Retirement 2025 (TRRHX)
TYPE Target-date **PHONE** 800-638-5660
In a target-date fund, the manager shifts gradually into bonds as you close in on retirement. To get a more stock-heavy mix, Cazayoux needs a fund with a distant quit date.

What She Should Do

To start, says Reed, Cazayoux should put the full amount in her IRA each year (in 2007, $5,000 for those 55 and older) instead of paying off the mortgage. She can think of the mortgage as a low-cost way of borrowing money in order to build up her savings faster. She should likewise view any raises as a chance to add to the savings in her 401(k) and brokerage accounts. Unfortunately, the high fees in Cazayoux's 401(k) will continue to drag down her returns. So Reed suggests that she concentrate her 401(k) in just two of the least expensive funds in the plan. She'll want to ditch the expensive funds in her brokerage accounts as well and replace them with low-cost MONEY 70 choices such as Muhlenkamp and Harbor Bond.

Investors Cazayoux's age typically should have about 40% of their savings in bonds. But given that she plans to work for 10 more years and needs to make up ground, Reed suggests she take more risks.

First, she should move her entire IRA into T. Rowe Price Retirement 2025, a target-date fund with 80% of its holdings in stocks today. Because that fund is designed for someone who plans to retire in nearly 20 years, not 10, that's more stocks than she might normally own. But this one fund, Reed points out, spreads her money among a more diverse set of funds than she could otherwise buy with the $32,000 in her IRA. Another way to temper this aggressive stance is by diversifying smartly, including keeping 25% of her money in foreign funds to capture market gains abroad.

If she makes these changes and continues to save as much as she can, Cazayoux could retire in 10 years with a $600,000 portfolio. That could sustain annual withdrawals of about $24,000, bringing her total income to $38,000, almost 70% of today's salary. Cazayoux is eager to give it a try. "As long as I'm healthy, I want to be out doing something," she says.

PROBLEM
A small portfolio that's invested too conservatively and filled with high-fee funds

PLAN
Add more stocks to the mix and switch to funds with lower annual expenses.

PAYOFF
A chance for higher returns and a better shot at retiring in 10 years with enough money

Goal: A Shop of Their Own

Got to grow that nest egg—er, seed capital—fast

When Doug van Almelo's job as an airplane mechanic was transferred from Los Angeles to Indianapolis after Sept. 11, he and his wife Carole saw it as a chance to start over. "With the high cost of living and the fast pace, it was hard to set aside money and time," says Carole, who runs her own Web design company. Thanks to lower housing costs in the Midwest, the couple were able to use the proceeds from the sale of two homes in California to pay off all their debts and seed a $300,000 portfolio. Determined to build up their investments even faster, they drastically cut their living expenses, hoping to save half of their six-figure salaries.

Their plans hit another bump, however, when Doug was laid off in 2003. Then, after working as a contractor for a year, he was called back to his old job—in Los Angeles. Now, Doug, 49, commutes home every three weeks for a two-day stay. In two years, Carole and sons Alex, 15, and Nicholas, 11, will join him on the West Coast. "It's difficult, but we look at this as an opportunity to really save for all of our futures," says Doug. Still, the van Almelos are eager to leave the corporate world behind and strike out on their own. Within 10 years, Doug

THE VAN ALMELOS Doug works in L.A. while Carole, Nicholas and Alex live in Indiana, but the family are united as savers.

PROBLEM
An overly conservative mix of stocks and bonds for such aggressive financial goals

MAKEOVER
Add more small-cap and midcap stock funds and cut back on bonds.

PAYOFF
History would suggest returns of 7% a year. That gives them a shot at financing their dream.

wants to retire from his airline job. At that point, he and Carole, 48, hope to buy a small business or farm and work together in a second career.

Where They Are Now

Despite the fluctuations in their income over the past few years, the van Almelos have managed to build their total portfolio to $400,000, which includes $100,000 in 529 plans for the boys. The rest of the money is spread among IRAs, 401(k)s and taxable accounts, with 35% in bonds, 39% in large-cap stocks and 20% in international equities. They also have $20,000 invested in a handful of individual stocks, including Google and Apple. When they return to L.A., the van Almelos figure they'll buy a small condo, which should keep their housing costs roughly in line with what they are in Indiana. Though he no longer gets a pension from his airline, Doug is socking away 20% of his pay in the company's 401(k), and Carole maxes out her Roth IRA. Luckily, Carole's parents have offered to help pay for the boys' school expenses, so they no longer need to add much to the 529s.

Carole and Doug have weathered several financial storms the past few years and have recovered admirably, says Indianapolis financial planner Walt Koon. But starting a new business at 60 is ambitious, especially considering that neither has a pension, Carole works for herself and Doug is in a volatile industry.

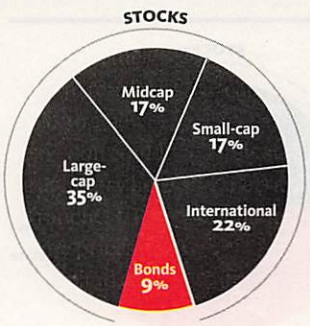
What They Should Do

The van Almelos' best shot at hitting that goal, Koon says, is to save as much as possible outside their retirement plans before they leave their traditional jobs—and to be far more aggressive in their investment strategy. Right now about a third of the van Almelos' money is in Dodge & Cox Income, a long-term bond fund. "A bond fund is for capital preservation. But at their age, they still need growth," says Koon, who recommends that they reduce bonds to just 9% of their portfolio. He'd also like Carole and Doug to sell their individual stocks and pare back their stake in large-cap funds from 39% to 35%. They should use some of that money to boost their stake in international stocks as well as mid- and small-cap domestic equity funds, which are more volatile than large-caps but historically have higher returns. They can keep a lid on costs by selecting MONEY 70 index funds such as Vanguard Small-Cap and iShares MSCI EAFE. "When it's crunch time, we've always been able to save money," says Doug. "I think we can stretch a bit more to fund our goals."

THE FIX

The Aggressive Portfolio

Adding more small-cap and international stocks will help the van Almelos gather enough assets to retire from their corporate jobs in a decade.



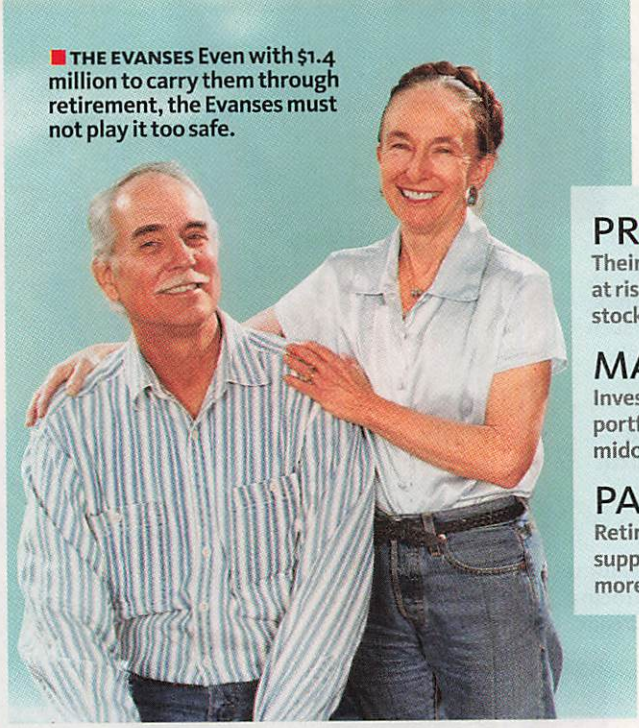
STRATEGIC PICK

Vanguard Small-Cap Index (NAESX)
TYPE Small-cap **PHONE** 800-851-4999
With its broadly diversified holdings and low annual expenses (0.23% of assets), this small-cap stock fund will give the van Almelos a much needed shot at outsize gains.

PHOTOGRAPH BY **THOMAS CHADWICK**

Making Their Money Last

With their savings dwindling faster than they'd hoped, these early retirees need an investing plan that will endure



THE EVANSES Even with $1.4 million to carry them through retirement, the Evanses must not play it too safe.

PROBLEM
Their bond-heavy portfolio is at risk from inflation, and their stock funds aren't diversified.

MAKEOVER
Invest for growth and trim portfolio risk by buying more midcap stocks.

PAYOFF
Retirement accounts that will support them for at least 30 more years.

At first, Ramon and Anne Evans were confident that they were well prepared to meet the financial challenges of retirement. After all, Ramon, 62, a former programmer at an oil company, took an early retirement package from his firm seven years ago. Since then, he and Anne, 61, who works part time as a teacher, have mainly lived off the savings in their brokerage accounts without touching any of the $1.1 million they have built up in IRAs. But now the Yorba Linda, Calif. couple are down to the last $20,000 outside their retirement accounts. As a result, Ramon has become concerned about whether his IRAs will fund a comfortable life for the next 30 years. "I don't see myself going back to work when I'm 80," he says.

Where They Are Now

Ramon has just begun collecting $17,000 a year from Social Security, and for now Anne makes about $8,000 teaching. The couple own a rental home that brings in $3,600 annually and a second investment property that they are in the process of selling for $300,000. They'll add that cash to their savings, which need to fund the rest of their $60,000 in yearly expenses. Since retiring, Ramon has taken up golf. But it's his other new hobby that could prove costly: spending up to two hours a day managing his money online and trading the occasional stock. So far, "it's a hobby that pays off," he says, noting that he earned 23% last year juggling some 25 investments. But if Ramon's picks go sour, the Evanses' retirement savings are on the line. Plus, their overly complex portfolio is filled with everything from ETFs to a Canadian oil trust and a currency fund.

The Evanses need to withdraw about 3% a year from their portfolio to fund their current lifestyle, calculates Phillip Cook, a financial planner in Torrance, Calif. At that rate of withdrawal, their money should last—but to keep ahead of inflation, they still need the steady growth only stocks can provide. Right now the Evanses have two-thirds of their IRAs in bonds and preferred stock, which pay fat dividends but offer little growth potential.

What They Should Do

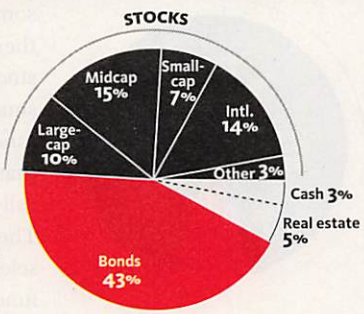
For starters, Cook suggests the Evanses keep 49% of their money in stocks and cut bonds to 43%. Another problem: When Cook analyzed the stocks within the couple's funds, he found that 35% of their holdings were financial service firms. "If interest rates move up," warns Cook, "he'll take a big hit." (Use the X-ray tool at morningstar.com to ferret out overlaps in your portfolio.) The Evanses have enough large- and small-cap funds in their portfolio but almost no midcap stocks, so Cook suggests replacing two funds that are heavily weighed in financials with Aston Mid Cap and Meridian Growth. The couple should also boost their international stock allocation by adding Oakmark International and T. Rowe Price International Discovery.

Finally, since Ramon enjoys managing money, Cook would rope off 3% of the portfolio for whatever he pleases. If they need extra cash, Cook adds, they could raise the rent on their investment property, currently rented by Anne's sister. But Ramon says that's one move he won't be making, ever. "I still want the freedom to be a nice guy," he says. **$**

FEEDBACK: *money_letters@moneymail.com*

THE FIX

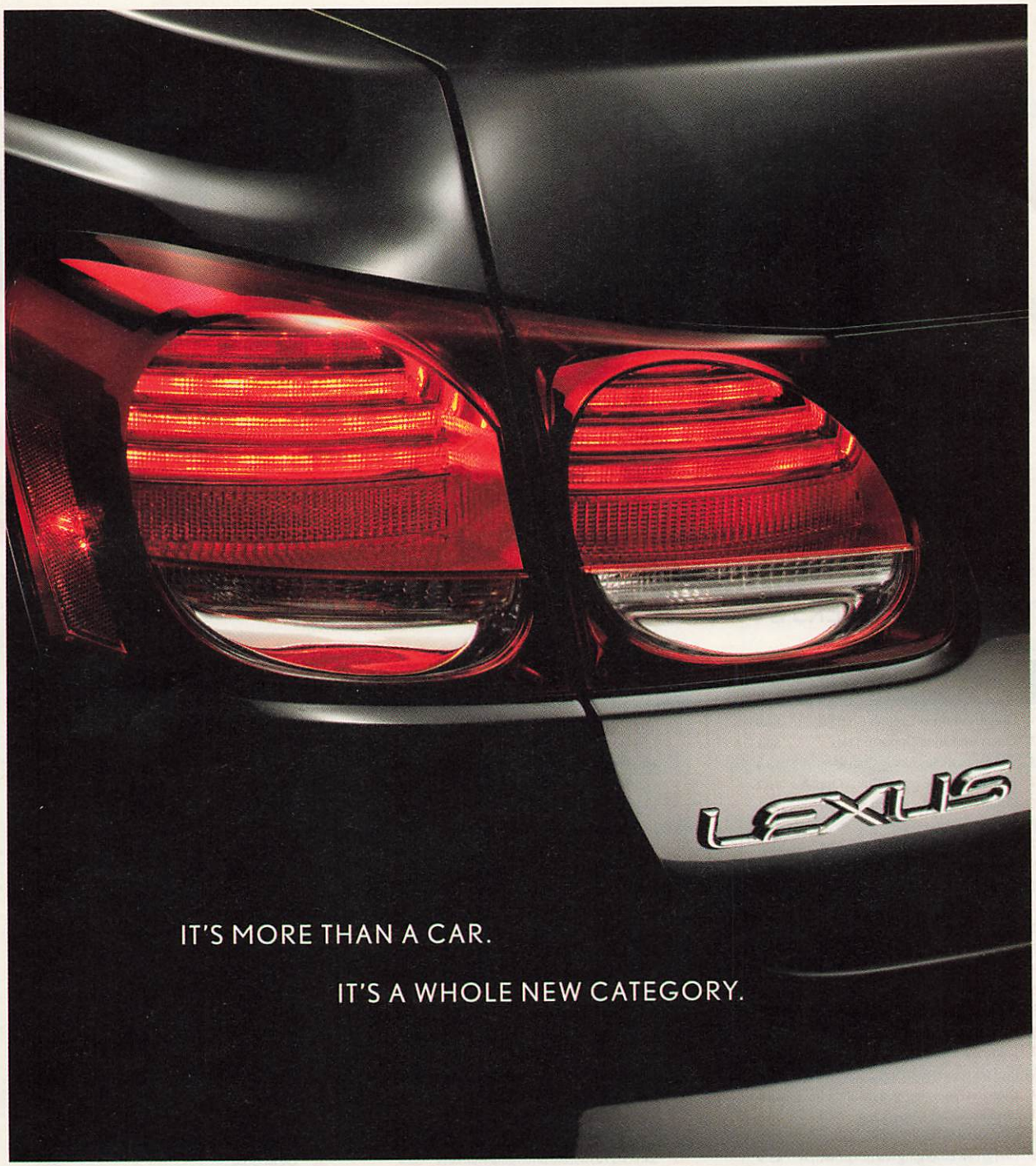
The Retiree Portfolio
This stock and bond blend should give young retirees like the Evanses the growth and safety they need.



STRATEGIC PICK

Oakmark International (OAKIX)
TYPE International **PHONE** 800-625-6275
This fund, which invests primarily in large-cap value stocks, is a good choice for the Evanses, who need the diversification of non-U.S. stocks but can't afford to add too much risk.

PHOTOGRAPH BY **MEREDETH JENKS**



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THE FUND SCORE

TOP PERFORMERS **STOCK FUNDS**

→2006

	FUND	% RETURN
1	Dreyfus Premier Greater China A	84.9
2	Oberweis China Opportunities	80.1
3	Old Mutual Clay Finlay China A	78.4
4	John Hancock Greater China Opp. A	70.2
5	Columbia Greater China A	70.1
6	ING Russia A	68.4
7	Gartmore China Opportunities A	67.5
8	AllianceBernstein Greater China '97 A	66.0
9	Matthews China	64.7
10	U.S. Global Inv. World Precious Min.	51.7
11	T. Rowe Price Latin America	51.0
12	U.S. Global Inv. Gold Shares	49.9
13	ProFunds Telecom UltraSector Svc.	49.0
14	ING Greater China A	47.4
15	Eaton Vance Greater China Growth A	47.3
16	AIM European Small Company A	47.1
17	Janus Overseas	46.8
18	ProFunds Real Est. UltraSector Svc.	46.6
19	Direxion Emerging Mkts. Bull 2x Inv.	46.4
20	BlackRock Latin America A	46.3
21	Eaton Vance Asian Small Cos. A	46.0
22	Evergreen Emerging Mkts. Growth A	45.9
23	Metzler/Payden Euro. Emer. Mkts.	45.8
24	Van Eck International Invest. Gold A	45.5
25	Domini European Social Equity Inv.	44.2
	Average Stock Fund	**14.6**

→THREE YEARS

	FUND	% RETURN[1]
1	T. Rowe Price Latin America	50.3
2	BlackRock Latin America A	49.0
3	Fidelity Latin America	47.6
4	Fidelity Advisor Latin America A	46.7
5	Metzler/Payden Euro. Emer. Mkts.	45.8
6	ING Russia A	45.4
7	DWS Scudder Latin America Equity S	43.3
8	AIM European Small Company A	43.1
9	U.S. Global Accolade Regent E. Euro.	42.5
10	T. Rowe Price Emerging Euro. & Medit.	41.3
11	Birmiwal Oasis	37.1
12	World Third Millennium Russia A	36.1
13	AIM International Small Company A	35.9
14	Driehaus Emerging Markets Growth	35.6
15	BlackRock Global Resources Inv. A	35.3
16	AIM Developing Markets A	34.8
17	Lazard Emerging Markets	34.5
18	U.S. Global Invest. Global Resources	34.4
19	Fidelity Emerging Markets	34.2
20	JennisonDryden Natural Res. A	34.2
21	Vanguard Energy Inv.	34.0
22	Sanford Bernstein Emerging Markets	33.9
23	RS Emerging Markets A	33.7
24	J.P. Morgan Emerging Mkts. Equity A	33.7
25	T. Rowe Price Emerging Mkts. Stock	33.4
	Average Stock Fund	**12.4**

→FIVE YEARS

	FUND	% RETURN[1]
1	U.S. Global Invest. World P. Min.	48.2
2	ING Russia A	46.6
3	U.S. Global Accolade Regent E. Euro.	44.1
4	U.S. Global Investors Gold Shares	41.4
5	U.S. Global Invest. Global Resources	41.1
6	World Third Millennium Russia A	40.5
7	USAA Precious Metals & Minerals	38.9
8	Eaton Vance Greater India A	38.9
9	Evergreen Precious Metals A	38.2
10	Van Eck Intl. Investors Gold A	38.1
11	AIM European Small Company A	37.6
12	T. Rowe Price Emer. Euro. & Medit.	37.5
13	Tocqueville Gold	37.1
14	DWS Scudder Gold & Precious Met. S	36.2
15	Midas	35.3
16	Vanguard Precious Met. & Mining Inv.	35.1
17	BlackRock Latin America A	34.7
18	Gamco Gold AAA	34.5
19	CGM Realty	34.3
20	T. Rowe Price Latin America	34.0
21	Sanford Bernstein Emerging Markets	33.9
22	OCM Gold	33.8
23	AIM International Small Company A	33.6
24	World Eastern European Equity A	33.5
25	First Eagle Gold A	33.5
	Average Stock Fund	**8.5**

NOTES: Returns are through Dec. 28. Averages are for funds in Lipper's database. [1]Annualized. **SOURCE:** Lipper, New York; 877-955-4773.

STOCK FUND PEER-GROUP ABBREVIATIONS

AU	Gold-oriented	**FX**	Flexible portfolio	**IS**	Intl. small-cap/midcap	**MCC**	Midcap core	**PC**	Pacific region	**SP**	S&P 500 index
B	Balanced	**GL**	Global large-cap	**JA**	Japanese	**MCG**	Midcap growth	**RE**	Real estate	**ST**	Science and technology
CV	Convertible securities	**GS**	Global small-cap/midcap	**LCC**	Large-cap core	**MCV**	Midcap value	**SCC**	Small-cap core	**TL**	Telecommunications
EI	Equity income	**GX**	Global flexible portfolio	**LCG**	Large-cap growth	**MLC**	Multicap core	**SCG**	Small-cap growth	**UT**	Utilities
EM	Emerging markets	**H**	Health/biotechnology	**LCV**	Large-cap value	**MLG**	Multicap growth	**SCV**	Small-cap value	**XJ**	Pacific ex-Japan
EU	European region	**I**	Income	**LSE**	Long/short	**MLV**	Multicap value	**SE**	Specialty diversified equity		
FS	Financial services	**IF**	International	**LT**	Latin American	**NR**	Natural resources				

Welcome to MONEY's annual report on the market's most important funds. The 725 stock funds have assets that top the $4.8 trillion mark and hold nearly 85% of the money invested in stock funds. The 275 bond funds carry assets of nearly $955 billion, more than 65% of all bond fund dollars. To see how your funds fared, read on.

CARD

TOP PERFORMERS **BOND FUNDS**

→2006

	FUND	% RETURN
1	John Hancock High Yield A	20.1
2	Aegis High Yield	15.1
3	Fidelity Advisor High Inc. Adv. T	14.5
4	WM High Yield A	14.4
5	DWS Scudder Emer. Mkts. Fixed Inc. S	14.3
6	Delaware Delchester A	13.6
7	Federated International High Inc. A	13.5
8	Legg Mason/Western Hi.-Yld. Prim.	13.3
9	Templeton Global Bond A	13.3
10	Loomis Sayles High Income A	13.0
11	Fidelity Capital & Income	12.7
12	SunAmerica High Yield Bond A	12.6
13	J.P. Morgan High Yield Bond A	12.5
14	Pioneer Global High Yield A	12.4
15	BlackRock High Income A	12.3
16	Delaware High-Yield Opp. A	12.3
17	MFS High Yield Opportunities A	12.1
18	Putnam High Yield Advantage A	12.1
19	Northeast Investors Trust	12.1
20	Columbia High Income Z	12.0
21	AllianceBernstein Emer. Mkt. Debt A	11.9
22	American Funds American H/I Tr. A	11.9
23	Loomis Sayles Strategic Income A	11.8
24	Fidelity New Markets Income	11.8
25	MainStay High Yield Corp. Bond A	11.7
	Average Bond Fund	**4.6**

→THREE YEARS

	FUND	% RETURN[1]
1	T. Rowe Price Emerging Mkts. Bond	14.6
2	Goldman Sachs Emer. Mkts. Debt A	14.1
3	DWS Scudder Emer. Mkts. Fixed Inc. S	13.9
4	MFS Emerging Markets Debt A	12.4
5	SunAmerica High Yield Bond A	12.0
6	Fidelity New Markets Income	11.8
7	Payden & Rygel Payden Em. Mkts. Bond	11.7
8	MainStay Global High Income A	11.6
9	Regions Morgan Keegan Sel. H/I A	11.6
10	Federated International H/I A	11.6
11	Fidelity Advisor Emer. Mkts. Inc. T	11.5
12	Fidelity Advisor High Inc. Adv. T	11.4
13	AllianceBernstein Emer. Mkt. Debt A	11.2
14	Pioneer Global High Yield A	11.1
15	John Hancock High Yield A	11.0
16	Pimco Emerging Markets Bond A	10.9
17	WM High Yield A	10.8
18	Delaware Delchester A	10.6
19	Oppenheimer Rochester Natl. Muni A	10.3
20	Fidelity Capital & Income	10.2
21	Delaware High-Yield Opp. A	9.8
22	Loomis Sayles Strategic Income A	9.7
23	Northeast Investors Trust	9.6
24	TCW Emerging Markets Income I	9.5
25	Oppenheimer International Bond A	9.4
	Average Bond Fund	**3.7**

→FIVE YEARS

	FUND	% RETURN[1]
1	AllianceBernstein Emer. Mkt. Debt A	17.8
2	DWS Scudder Emer. Mkts. Fixed Inc. S	17.0
3	MFS Emerging Markets Debt A	16.0
4	T. Rowe Price Emerging Markets Bond	15.8
5	Fidelity New Markets Income	15.7
6	Loomis Sayles Strategic Income A	15.5
7	MainStay Global High Income A	15.4
8	Pioneer Global High Yield A	15.3
9	Fidelity Advisor Emer. Mkts. Inc. T	15.2
10	Pimco Emerging Markets Bond A	15.2
11	Federated International High Inc. A	14.9
12	Oppenheimer International Bond A	14.6
13	TCW Emerging Markets Income I	14.1
14	Phoenix Emerging Markets Bond A	14.1
15	John Hancock High Yield A	13.8
16	Fidelity Advisor High Inc. Adv. T	13.7
17	Loomis Sayles Bond Retail	13.4
18	Fidelity Capital & Income	13.1
19	Templeton Global Bond A	13.0
20	Payden & Rygel Payden Em. Mkts. Bond	12.7
21	WM High Yield A	12.5
22	Regions Morgan Keegan Sel. H/I A	12.3
23	MainStay High Yield Corp. Bond A	12.2
24	Delaware Delchester A	12.0
25	Delaware High-Yield Opportunities A	11.8
	Average Bond Fund	**5.1**

NOTES: Returns are through Dec. 28. Averages are for funds in Lipper's database. [1]Annualized. **SOURCE:** Lipper, New York; 877-955-4773.

BOND FUND PEER-GROUP ABBREVIATIONS

A	Corporate A-rated
ARM	Adj.-rate mortgage
AZ	Arizona muni
BBB	Corporate BBB-rated
CA	California muni
CAI	California insured muni
CAT	California intm. muni
EMD	Emerging markets
FL	Florida muni
FLX	Flexible income
GB	General
GLI	Global income
GM	General muni
GNM	GNMA
GUS	General U.S. gov.
GUT	General U.S. Treasury
HM	High-yield muni
HY	High current yield
IID	Intermediate inv. grade
IMD	Intermediate muni
INI	International income
IUG	Intermediate U.S. gov.
IUT	TIPS
LP	Loan participation
MA	Massachusetts muni
MD	Maryland muni
MDI	Insured muni
MI	Michigan muni
MSI	Multisector income
NJ	New Jersey muni
NY	New York muni
NYT	New York intm. muni
OH	Ohio muni
OSS	Other states short-intm. muni
PA	Pennsylvania muni
SID	Short inv. grade
SII	Short-intm. inv. grade
SIM	Short-intm. muni
SIU	Short-intm. U.S. gov.
SMD	Short muni
SUS	Short U.S. government
SUT	Short U.S. Treasury
USM	U.S. mortgage
USO	Ultrashort obligations

STOCK FUNDS

HOW TO TELL WHERE A FUND RANKED
The circles indicate the quartile in which the fund finished among competitors with similar investment styles.

● TOP QUARTILE ◓ SECOND QUARTILE ◒ THIRD QUARTILE ○ BOTTOM QUARTILE

Below are the latest returns for 725 of the most important stock funds, including how they have performed against their peers (see page 78 for peer-group abbreviations). Each is available for a minimum investment of $25,000 or less, has assets of at least $1.1 billion as of Nov. 30 (with the exception of MONEY 70 funds) and has been operating since at least Jan. 1, 2006.

- **INDEX BEATERS** Boldface returns mean the fund topped the market for that period. We measured small-caps against the Russell 2000, and other domestic funds against the S&P 500. For international funds, we used the MSCI EAFE index or the MSCI emerging markets index.
- **EXPENSES** The percentage of fund assets that go toward annual operating expenses, including management fees, 12b-1 fees and other asset-based costs.

COMPANY/FUND NAME (TICKER)	PEER GROUP	% 2006 RETURN[1]	% ANNUALIZED RETURN[1] THREE YEARS	FIVE YEARS	10 YEARS	PEER-GROUP RANK '06	'05	'04	'03	% SALES LOAD	EXPENSES (% OF ASSETS)	TOTAL ASSETS ($ MIL.)	TELEPHONE
→ **AIG SunAmerica** Focused Large-Cap Growth A (SSFAX)	LCG	0.0	3.0	2.9	–	○	◓	○	●	5.75	1.47	1,309	800-858-8850
→ **AIM** Basic Balanced A (BBLAX)	B	11.0	7.9	**6.3**	–	◓	◓	◒	●	5.50	1.14	1,609	800-959-4246
Basic Value A (GTVLX)	LCC	13.7	10.5	**6.5**	**11.4**	◒	◓	●	●	5.50	1.19	5,604	
Capital Development A (ACDAX)	MCG	**16.8**	**14.2**	**9.4**	**10.2**	●	◒	◓	◓	5.50	1.35	1,587	
Charter A (CHTRX)	LCC	**16.7**	10.5	**6.6**	6.7	●	◓	◓	◒	5.50	1.23	6,836	
Constellation A (CSTGX)	MLG	6.2	7.4	3.5	4.6	◒	◓	○	○	5.50	1.29	7,802	
Diversified Dividend Inv. (LCEIX)	LCC	**17.0**	–	–	–	●	–	–	–	None	0.97	1,980	
Dynamics Inv. (FIDYX)[4]	MCG	**17.0**	**13.5**	6.0	7.9	●	◓	◒	●	None	1.04	1,959	
Energy A (IENAX)	NR	10.6	**32.6**	–	–	◒	●	●	○	5.50	1.19	1,393	
European Growth A (AEDAX)	EU	**39.1**	**28.5**	**22.4**	–	●	◓	●	◓	5.50	1.70	1,391	
Global Health Care Inv. (GTHIX)	H	4.9	–	–	–	◓	–	–	–	None	1.25	1,437	
International Growth A (AIIEX)	IF	**27.9**	**23.6**	**15.6**	**8.3**	●	◓	●	○	5.50	1.69	2,781	
Large Cap Growth A (LCGAX)	LCG	8.6	8.7	3.7	–	◓	◓	◓	◓	5.50	1.47	2,296	
Mid Cap Core Equity A (GTAGX)	MCC	11.5	**11.2**	**9.0**	**10.6**	◒	○	◒	○	5.50	1.26	2,492	
Real Estate A (IARAX)	RE	**35.8**	**28.4**	**26.2**	–	●	◓	●	●	4.75	1.29	1,909	
Small Cap Growth A (GTSAX)[2]	SCG	15.2	10.5	5.9	12.1	●	◓	◒	◒	5.50	1.44	1,733	
Summit P (SMMIX)[4]	MLG	8.5	10.7	4.8	6.0	◓	◓	◒	◓	8.50	0.93	2,409	
→ **AllianceBernstein** Balanced Shares A (CABNX)	B	13.7	9.6	**7.4**	**9.6**	●	◒	◓	◓	4.25	1.05	1,745	800-221-5672
Balanced Wealth Strategy A (ABWAX)	B	14.1	**11.5**	–	–	●	●	●	–	4.25	0.99	2,220	
Bernstein Emerging Markets (SNEMX)	EM	29.1	**33.9**	**33.9**	12.0	○	◒	●	●	None	1.68	2,414	212-486-5800
Bernstein International (SIMTX)	IF	24.6	20.1	**16.8**	–	◒	◓	◓	●	None	1.26	3,656	
Bernstein Tax-Managed International (SNIVX)	IF	25.2	19.9	**16.7**	**10.4**	◓	◓	◓	◓	None	1.22	8,012	
Global Technology A (ALTFX)	ST	8.3	6.6	–0.8	4.5	◓	◒	◓	○	4.25	1.67	1,812	800-221-5672
Growth & Income A (CABDX)	LCV	**17.7**	**11.5**	5.8	**9.8**	◒	◒	◒	●	4.25	1.06	4,536	
Growth A (AGRFX)	MLG	–1.7	8.5	4.0	4.3	○	◓	●	◓	4.25	1.52	1,495	
International Growth A (AWPAX)	IF	25.4	23.9	20.6	**11.7**	◓	●	●	●	4.25	1.43	1,698	
International Value A (ABIAX)	IF	**34.7**	26.1	22.4	–	●	●	●	●	4.25	1.20	6,952	
Large Cap Growth A (APGAX)	LCG	–0.8	7.6	0.3	4.5	○	●	◓	○	4.25	1.54	2,806	
Small/Mid Cap Value A (ABASX)	MCV	14.6	**14.1**	**13.7**	–	◒	◒	◒	●	4.25	1.15	1,184	
Wealth Appreciation Strategy A (AWAAX)	MLG	**17.9**	**14.8**	–	–	◓	◒	◒	–	4.25	1.13	1,623	
→ **Allianz** CCM Capital Appreciation A (PCFAX)	MLG	7.0	9.9	4.8	–	◒	◓	◓	○	5.50	1.11	1,570	800-426-0107
CCM Mid-Cap A (PFMAX)	MCC	4.5	**12.1**	**7.7**	–	○	●	●	◒	5.50	1.12	1,321	
NFJ Dividend Value A (PNEAX)	EI	**24.9**	**17.2**	**13.4**	–	●	●	◓	◓	5.50	1.11	4,872	
NFJ Small-Cap Value A (PCVAX)[2]	SCV	**19.5**	**17.6**	**16.6**	–	◓	●	◓	○	5.50	1.25	4,336	
OCC Renaissance A (PQNAX)	MLC	12.4	8.4	**8.0**	**14.8**	◒	○	●	●	5.50	1.24	2,460	
OCC Value A (PDLAX)	LCV	**21.1**	**14.0**	**9.6**	–	●	○	●	●	5.50	1.11	1,999	
RCM Technology A (RAGTX)	ST	4.6	10.6	–	–	◒	◓	●	●	5.50	1.61	1,260	
→ **American Beacon** Intl. Equity PlanAhead (AAIPX)	IF	26.0	20.8	**16.3**	**10.3**	◒	◒	◓	●	None	0.95	2,991	800-658-5811
Small Cap Value PlanAhead (AVPAX)[2]	SCV	15.4	**14.7**	**16.0**	–	◒	◒	●	●	None	1.10	3,223	
→ **American Century** Equity Growth Inv. (BEQGX)	MLC	14.7	**12.5**	**7.6**	**8.7**	◓	◓	◓	◓	None	0.67	3,298	800-345-2021
Equity Income Inv. (TWEIX)	EI	**19.9**	**11.8**	**10.3**	**12.4**	◓	○	◒	◒	None	0.97	6,233	
Growth Inv. (TWCGX)	LCG	8.5	8.2	2.6	6.4	◓	◒	●	◒	None	1.00	4,828	
Heritage Inv. (TWHIX)	MCG	**17.3**	**15.8**	**9.4**	**9.6**	●	●	○	○	None	1.00	1,220	
Income & Growth Inv. (BIGRX)	MLV	**17.8**	**12.3**	**7.7**	**9.1**	◒	◒	◒	◓	None	0.68	4,766	
International Discovery Inv. (TWEGX)[2]	IF	**31.0**	**27.1**	**21.9**	**16.9**	●	●	○	◓	None	1.47	1,554	
International Growth Inv. (TWIEX)[4]	IF	24.7	18.5	10.8	**9.3**	●	◓	●	○	None	1.23	2,857	
Large Company Value Inv. (ALVIX)[4]	LCV	**20.4**	**13.5**	**9.8**	–	●	◒	●	◓	None	0.83	2,565	
Real Estate Inv. (REACX)[2]	RE	**33.9**	**26.3**	**24.4**	**15.6**	◒	●	○	●	None	1.15	2,222	
Select Inv. (TWCIX)[4]	LCG	–1.3	2.8	0.4	5.1	○	○	◓	◒	None	1.00	2,799	
Small Cap Value Inv. (ASVIX)[2]	SCV	16.2	**15.6**	**13.1**	–	◒	◓	◓	◒	None	1.25	2,180	

NOTES: Peer-group abbreviations on page 78. Boldface figures indicate fund beat benchmark index. [1]Through Dec. 28. [2]Closed to new investors. [3]Maximum deferred sales charge. [4]Closed to new investors, other classes open. A dash indicates not available or not applicable. **PEER-GROUP RANK:** ● = fund finished in top quartile of peer group; ◓ = second quartile; ◒ = third quartile; ○ = bottom quartile. **SOURCE:** Lipper, New York; 877-955-4773.

COMPANY/FUND NAME (TICKER)	PEER GROUP	% 2006 RETURN[1]	% ANNUALIZED RETURN[1] THREE YEARS	FIVE YEARS	10 YEARS	PEER-GROUP RANK '06	'05	'04	'03	% SALES LOAD	EXPENSES (% OF ASSETS)	TOTAL ASSETS ($ MIL.)	TELEPHONE
American Century Small Company Inv. (ASQIX)[2]	SCC	7.1	14.0	**16.7**	–	○	◒	●	●	None	0.87	1,676	800-345-2021
Strategic Allocation Aggressive Inv. (TWSAX)[4]	B	14.3	**11.7**	**8.6**	**9.0**	◒	●	●	●	None	1.20	1,333	
Strategic Allocation Moderate Inv. (TWSMX)[4]	B	12.5	10.0	**7.9**	**8.3**	◒	●	●	●	None	1.06	2,184	
Ultra Inv. (TWCUX)	LCG	–2.9	3.7	1.1	5.2	○	○	●	◒	None	0.99	14,762	
Value Inv. (TWVLX)[4]	MLV	**19.0**	**13.2**	**10.0**	**11.0**	◒	◒	◒	◒	None	1.00	3,178	
Vista Inv. (TWCVX)	MCG	9.3	**11.9**	**9.3**	7.0	◒	◒	◒	●	None	1.00	2,390	
American Funds AMCAP A (AMCPX)	MLC	9.1	9.0	**6.2**	**10.9**	○	◓	◒	◓	5.75	0.65	25,237	800-421-0180
American Balanced A (ABALX)	B	12.1	8.4	**7.7**	**9.6**	◒	○	◒	◓	5.75	0.59	55,880	
American Mutual A (AMRMX)	MLV	**16.7**	**11.2**	**8.0**	**9.4**	◒	◒	○	○	5.75	0.56	19,359	
Capital Income Builder A (CAIBX)	B	**21.4**	**14.8**	**12.9**	**11.2**	●	◒	●	◓	5.75	0.57	80,853	
Capital World Growth & Income A (CWGIX)	GL	22.4	19.3	**16.8**	**13.9**	◒	●	◒	●	5.75	0.73	79,971	
EuroPacific Growth A (AEPGX)	IF	21.7	**21.5**	**15.4**	**11.4**	◒	●	●	◒	5.75	0.76	95,301	
Fundamental Investors A (ANCFX)	LCV	**19.6**	**15.6**	**10.7**	**11.1**	◒	●	◒	●	5.75	0.60	38,375	
Growth Fund of America A (AGTHX)	MLG	11.4	**13.0**	**8.1**	**12.9**	●	●	◒	◒	5.75	0.62	161,166	
Income Fund of America A (AMECX)	B	**20.5**	**12.4**	**11.0**	**10.1**	●	◒	●	●	5.75	0.53	76,353	
Investment Company of America A (AIVSX)	LCV	**16.4**	**11.4**	**8.0**	**10.4**	◒	◓	○	◒	5.75	0.55	88,703	
New Economy A (ANEFX)	MLG	14.9	**13.9**	**8.4**	**9.6**	●	◓	◒	◓	5.75	0.79	8,682	
New Perspective A (ANWPX)	GL	19.9	15.7	12.0	**12.0**	◒	●	●	●	5.75	0.74	52,548	
New World A (NEWFX)	EM	**33.1**	26.0	22.2	–	◒	○	◒	○	5.75	1.12	10,908	
Smallcap World A (SMCWX)	GS	23.1	19.7	14.7	**9.8**	●	◒	◒	●	5.75	1.04	20,368	
Washington Mutual Investors A (AWSHX)	LCV	**18.6**	11.2	**7.6**	**9.7**	◒	◒	◒	◒	5.75	0.57	83,998	
Ariel (ARGFX)	MCC	10.8	**11.3**	**10.5**	**13.4**	◒	○	●	○	None	1.03	4,220	800-292-7435
Appreciation (CAAPX)	MLC	11.6	9.7	**8.8**	**13.0**	◒	○	◒	◓	None	1.14	2,750	
Artisan International Inv. (ARTIX)	IF	25.6	20.6	12.7	**13.1**	●	◓	◓	○	None	1.19	10,532	800-344-1770
International Value Inv. (ARTKX)	IF	**34.6**	**25.9**	–	–	●	○	●	●	None	1.31	1,644	
Mid Cap Inv. (ARTMX)[2]	MCG	10.3	**11.9**	**6.7**	–	◓	◒	◒	◒	None	1.19	4,762	
Mid Cap Value Inv. (ARTQX)[2]	MCV	14.8	**19.1**	**17.1**	–	◒	●	●	◓	None	1.23	2,848	
Small Cap Inv. (ARTSX)[2]	SCC	7.6	12.5	7.6	7.5	○	◓	◒	◓	None	1.18	1,294	
Small Cap Value Inv. (ARTVX)[2]	SCV	**20.2**	**17.6**	**16.7**	–	●	●	◒	◓	None	1.18	2,199	
Aston Mid Cap (CHTTX)	MCV	**21.42**	**13.94**	**11.34**	**12.76**	●	○	◒	◓	None	1.23	701	800-992-8151
Montag & Caldwell Growth N (MCGFX)	LCG	8.4	6.3	1.3	6.1	◓	◓	○	○	None	1.02	2,100	
Baron Asset (BARAX)	MCG	15.1	**18.4**	**10.8**	**9.6**	●	●	●	○	None	1.34	3,649	800-992-2766
Growth (BGRFX)	SCG	16.2	**16.2**	**12.3**	**14.2**	●	◓	●	○	None	1.32	5,858	
Partners (BPTRX)	LSE	**22.0**	**26.2**	–	–	●	●	●	–	None	1.35	2,302	
Small Cap (BSCFX)	SCG	12.5	**14.6**	**13.2**	–	◓	◓	●	◒	None	1.34	3,093	
BlackRock Aurora Inv. A (SSRAX)	SCC	13.4	10.7	10.0	15.7	◒	○	○	●	5.25	1.44	1,962	800-882-0052
Balanced Capital A (MDCPX)	B	15.0	9.2	**6.2**	6.3	●	◒	◒	◓	5.25	0.84	2,434	
Basic Value A (MDBAX)	LCV	**23.0**	**12.5**	**9.0**	**9.5**	●	◒	◒	●	5.25	0.82	8,180	
Fundamental Growth A (MDFGX)	LCG	4.3	7.1	1.9	6.9	◒	●	◒	◓	5.25	1.12	4,737	
Global Allocation A (MDLOX)	GX	15.9	14.1	12.9	**11.2**	●	◓	◓	◓	5.25	1.10	16,649	
Global SmallCap C (MCGCX)	GS	17.2	14.5	12.5	**13.1**	○	○	○	◒	1.00[3]	2.20	1,286	
Index Equity Inv. A (CIEAX)[2]	SP	16.0	10.7	5.5	7.5	●	◓	◓	◒	3.00	0.41	4,860	
International Value A (MDIVX)	IF	26.2	20.2	15.2	–	◓	◓	◓	◓	5.25	1.27	1,826	
Investment Trust Inv. A (CEIAX)	LCC	14.5	11.1	4.7	4.9	◓	◒	●	◓	5.25	1.16	1,201	
Large Cap Core C (MCLRX)	MLC	12.5	**13.5**	**8.8**	–	◒	●	●	◓	1.00[3]	1.95	3,962	
Large Cap Value A (MDLVX)	MLV	**16.5**	**17.5**	**13.3**	–	◒	●	●	◓	5.25	1.24	3,947	
S&P 500 Index A (MDSRX)	SP	15.7	10.6	5.5	–	◓	◓	◓	●	None	0.60	2,633	
Value Opportunities A (MDSPX)	SCV	12.8	**12.5**	**8.8**	**13.8**	○	●	○	◓	5.25	1.27	2,819	
Bridgeway Aggressive Investor 2 (BRAIX)	MCC	6.06	**14.02**	**11.17**	–	○	●	◓	●	None	1.13	586	800-661-3550
Ultra-Small Company Market (BRSIX)	SCC	12.1	**12.3**	**21.6**	–	○	◒	◓	●	None	0.66	1,189	
Buffalo Small Cap (BUFSX)	SCC	14.7	**15.5**	**11.4**	–	◒	○	●	●	None	1.01	2,027	800-492-8332
Calamos Growth & Income A (CVTRX)	MLC	10.3	9.7	**9.9**	**14.0**	○	◓	◒	◒	4.75	1.06	6,500	800-582-6959
Growth A (CVGRX)	MLG	1.8	9.9	**9.2**	**17.9**	○	◓	●	●	4.75	1.20	17,491	
Calvert Large Cap Growth A (CLGAX)	MLG	5.0	**11.5**	**8.1**	–	○	◓	●	◓	4.75	1.55	1,305	800-368-2748
Social Investment Equity A (CSIEX)	MLC	10.6	7.6	4.9	**8.7**	○	○	○	○	4.75	1.25	1,287	
Causeway International Value Inv. (CIVVX)[2]	IF	**27.1**	**20.8**	**17.7**	–	◓	◒	●	◓	None	1.21	5,060	866-947-7000
CGM Focus (CGMFX)	MCG	15.4	**17.8**	**17.5**	–	●	●	◒	●	None	1.07	2,310	800-345-4048
Realty (CGMRX)	RE	**28.6**	**29.7**	**34.3**	**20.1**	○	●	●	●	None	0.92	1,573	
Clipper (CFIMX)	MLV	15.9	7.5	**6.6**	**12.0**	◒	○	○	○	None	1.11	3,382	800-432-2504
Cohen & Steers International Realty A (IRFAX)	RE	**43.5**	–	–	–	●	–	–	–	4.50	1.70	1,964	800-330-7348
Realty Income C (CSCIX)	RE	**29.0**	19.7	19.1	–	○	○	○	◒	1.00[3]	1.91	1,615	
Realty Shares (CSRSX)	RE	**36.7**	**29.7**	**25.4**	**15.8**	●	●	●	◓	None	0.97	3,695	
Columbia Acorn International Z (ACINX)	IF	**34.0**	**29.1**	**21.6**	**13.2**	●	◓	●	◒	None	0.99	4,185	800-322-2847
Convertible Securities Z (NCIAX)	CV	10.2	8.5	**7.9**	–	◓	◓	●	◓	None	0.84	1,175	
International Stock Z (CMISX)	IF	24.9	18.4	12.8	**8.7**	◒	○	○	◒	None	0.94	1,413	
International Value Z (EMIEX)[2]	IF	**28.8**	**21.8**	**17.3**	**15.4**	●	◒	●	●	None	1.02	4,085	
Large Cap Core Z (NSEPX)	LCC	**16.3**	10.8	4.2	–	●	◓	◒	◓	None	0.79	1,655	
Large Cap Growth Z (GEGTX)	LCG	10.8	8.5	2.3	6.4	●	◒	◓	○	None	0.86	1,874	
Large Cap Index Z (NINDX)	SP	16.2	11.1	5.9	8.0	●	●	●	●	None	0.14	2,562	
Large Cap Value Z (NVLUX)	MLV	**18.7**	**14.4**	**9.4**	**8.4**	◓	●	◒	◓	None	0.72	4,218	
Marsico 21st Century A (NMTAX)	MLG	**19.0**	**16.5**	**15.9**	–	●	◒	●	●	5.75	1.32	2,792	
Marsico Focused Equities A (NFEAX)	LCG	8.8	10.1	**7.8**	–	●	●	●	●	5.75	1.23	4,391	
Marsico Growth A (NMGIX)	LCG	7.2	9.9	**7.4**	–	◓	◓	●	◓	5.75	1.21	5,072	
Marsico International Opportunities Z (NMOAX)	IF	23.4	**20.9**	**18.0**	–	◓	●	◓	◓	None	1.10	2,596	
Mid Cap Growth Z (CLSPX)	MCG	12.6	**12.4**	**6.7**	**8.4**	●	●	○	◒	None	0.96	1,556	

NOTES: Peer-group abbreviations on page 78. Boldface figures indicate fund beat benchmark index. [1]Through Dec. 28. [2]Closed to new investors. [3]Maximum deferred sales charge. [4]Closed to new investors, other classes open. A dash indicates not available or not applicable. **PEER-GROUP RANK:** ● = fund finished in top quartile of peer group; ◓ = second quartile; ◒ = third quartile; ○ = bottom quartile. **SOURCE:** Lipper, New York; 877-955-4773.

COMPANY/FUND NAME (TICKER)	PEER GROUP	% 2006 RETURN[1]	% ANNUALIZED RETURN[1] THREE YEARS	FIVE YEARS	10 YEARS	PEER-GROUP RANK '06	'05	'04	'03	% SALES LOAD	EXPENSES (% OF ASSETS)	TOTAL ASSETS ($ MIL.)	TELEPHONE
→ **Columbia** Mid Cap Index Z (NMPAX)	MCC	11.1	**13.5**	**10.7**	–	◒	◒	◒	◒	None	0.14	1,930	800-322-2847
Mid Cap Value Z (NAMAX)	MCV	**17.7**	**18.4**	**14.4**	–	◒	●	◒	◒	None	0.84	3,236	
Multi-Advisor International Equity Z (NIEQX)	IF	25.3	19.8	14.4	**8.1**	◒	◒	◒	●	None	0.87	2,250	
Small Cap Core Z (SMCEX)[2]	SCC	16.9	13.4	**13.1**	**13.7**	◒	◒	◒	◒	None	0.88	1,404	
Small Cap Index Z (NMSCX)	SCC	15.9	**15.3**	**12.1**	**10.8**	◒	◒	◒	◒	None	0.21	1,578	
Strategic Investor Z (CSVFX)	MLC	15.0	**13.1**	**12.3**	–	◒	◒	●	●	None	0.99	1,207	
→ **Consulting Group** International Equity (TIEUX)	IF	24.2	19.9	14.8	**8.2**	◒	◒	◒	●	None	0.83	1,414	800-451-2010
Large Capitalization Growth (TLGUX)	LCG	4.9	8.4	3.2	5.5	◒	●	●	●	None	0.77	2,047	
Large Capitalization Value Equity (TLVUX)	LCV	**21.5**	**14.1**	**8.3**	**8.8**	●	◒	◒	◒	None	0.76	1,683	
→ **CRM** Mid Cap Value Inv. (CRMMX)[2]	MCC	**17.4**	**16.9**	**13.3**	–	●	○	●	◒	None	1.09	3,403	800-276-2883
→ **Davis** New York Venture A (NYVTX)	LCC	15.8	**13.4**	**9.5**	**10.6**	◒	●	●	●	4.75	0.87	42,374	800-279-0279
→ **Delaware** Large Cap Value A (DELDX)	LCV	**24.0**	**12.5**	**7.7**	7.6	●	○	◒	◒	5.75	1.15	1,433	800-523-1918
→ **Diversified** Intermediate Horizon Strategic Alloc. (DVMSX)	B	9.1	7.2	5.5	6.2	○	◒	◒	○	None	0.10	1,258	866-434-8472
Stock Index (DSKIX)	SP	15.7	10.5	5.5	–	◒	◒	◒	◒	None	0.65	1,796	
→ **Dodge & Cox** Balanced (DODBX)[2]	B	14.2	**11.7**	**10.8**	**11.7**	●	●	●	●	None	0.53	27,064	800-621-3979
International Stock (DODFX)	IF	**27.9**	**26.5**	**21.0**	–	●	●	●	●	None	0.70	28,486	
Stock (DODGX)[2]	LCV	**19.0**	**16.4**	**13.0**	**14.1**	◒	●	●	●	None	0.52	64,843	
→ **Domini** Social Equity Inv. (DSEFX)	LCC	13.3	8.7	4.8	7.4	◒	○	◒	◒	None	0.95	1,383	800-762-6814
→ **Dreyfus** Appreciation (DGAGX)	LCC	**16.9**	9.4	4.9	7.8	●	◒	○	○	None	0.92	4,360	800-373-9387
Basic S&P 500 Stock Index (DSPIX)	SP	16.1	11.0	5.9	8.0	●	●	●	●	None	0.20	1,501	
Fund Incorporated (DREVX)	LCC	16.1	10.4	5.1	4.8	◒	◒	◒	◒	None	0.74	1,461	
Mellon Emerging Markets Inv. (MIEGX)	EM	26.7	27.5	25.7	–	○	○	●	◒	None	1.77	1,457	888-281-7350
Mellon International Inv. (MIINX)	IF	23.4	18.6	**15.6**	–	◒	○	◒	◒	None	1.35	2,705	
Mellon Large Cap Stock Inv. (MILCX)	LCC	12.0	9.0	3.7	–	◒	◒	◒	◒	None	1.06	1,877	
Mellon Mid Cap Stock Inv. (MIMSX)	MCC	11.3	**14.7**	**9.7**	–	◒	●	◒	◒	None	1.15	1,693	
Midcap Index (PESPX)	MCC	10.7	**13.1**	**10.4**	**13.0**	◒	◒	◒	◒	None	0.50	2,325	800-373-9387
Midcap Value (DMCVX)[2]	MCV	9.7	**12.2**	**8.2**	**13.2**	○	◒	◒	●	None	1.18	1,229	
Premier Alpha Growth A (DPWAX)	MLG	5.4	–	–	–	○	●	–	–	5.75	1.16	1,333	
Premier Emerging Markets A (DRFMX)[2]	EM	12.4	13.7	–	–	○	○	●	◒	5.75	1.80	1,440	
Premier International Equity A (DIEAX)[2]	IF	**28.6**	**24.2**	–	–	●	●	●	–	5.75	1.51	2,601	
Premier International Small Cap A (DSMAX)[2]	IF	**29.4**	**31.0**	–	–	◒	●	●	–	5.75	1.63	1,192	
Premier New Leaders A (DNLDX)	MCC	14.2	**15.0**	**11.9**	**10.7**	◒	●	◒	◒	5.75	1.16	1,217	
S&P 500 Index (PEOPX)	SP	15.8	10.7	5.6	7.7	◒	◒	●	●	None	0.50	3,724	
→ **DWS Scudder** Balanced A (KTRAX)	B	10.3	7.0	3.7	5.5	◒	◒	○	◒	5.75	0.97	1,897	800-621-1048
Capital Growth S (SCGSX)	LCG	8.7	8.6	2.2	–	◒	●	◒	◒	None	0.89	1,816	
Dreman High Return Equity A (KDHAX)	EI	**18.1**	**13.8**	**9.0**	**10.5**	◒	●	◒	●	5.75	1.12	7,960	
Dreman Small Cap Value A (KDSAX)[2]	SCC	**24.5**	**19.9**	**16.7**	**10.0**	●	●	●	◒	5.75	1.28	1,700	
Equity 500 Index S (BTIEX)	SP	16.1	10.9	5.9	8.0	●	●	●	●	None	0.25	3,551	
Global Thematic S (SCOBX)	MLG	**30.5**	**23.7**	**15.3**	**10.5**	●	●	◒	◒	None	1.26	1,612	
Growth & Income S (SCDGX)[2]	LCC	14.1	10.5	5.0	4.9	◒	◒	◒	◒	None	0.65	4,607	
International S (SCINX)[2]	IF	26.1	20.4	13.2	**8.3**	●	●	◒	◒	None	1.01	1,781	
Large Cap Value S (KDCSX)[2]	LCV	**16.6**	–	–	–	◒	○	–	–	None	0.68	1,875	
Mid Cap Growth A (SMCAX)	MCG	11.6	**11.7**	–	–	◒	◒	○	○	5.75	1.25	1,347	
RREEF Real Estate Securities A (RRRAX)[2]	RE	**37.2**	**26.6**	–	–	●	◒	◒	●	5.75	0.80	2,125	
→ **Eaton Vance** Large-Cap Value A (EHSTX)	LCV	**19.4**	**16.1**	**9.9**	**11.8**	◒	●	●	○	5.75	1.04	4,005	800-225-6265
Tax-Managed Dividend Income A (EADIX)	EI	**19.4**	**14.1**	–	–	◒	◒	●	–	5.75	1.21	1,372	
Tax-Managed Growth 1.1 A (ETTGX)[2]	LCC	13.8	9.5	5.0	**8.6**	◒	◒	◒	◒	5.75	0.83	5,276	
Utilities A (EVTMX)	UT	**28.4**	**25.0**	**16.3**	**14.2**	●	●	◒	◒	5.75	1.09	1,344	
Worldwide Health Sciences A (ETHSX)	H	0.2	5.2	2.1	**12.5**	◒	◒	◒	◒	5.75	1.49	2,185	
→ **Elfun** Trusts (ELFNX)	LCC	13.5	7.8	3.9	**8.7**	◒	○	◒	◒	None	0.12	2,335	800-242-0134
→ **Evergreen** Asset Allocation C (EACFX)	GX	10.7	10.1	–	–	◒	◒	○	○	1.00[3]	1.64	10,135	800-343-2898
Balanced A (EKBAX)	B	9.7	7.2	5.0	–	○	◒	○	○	5.75	0.99	1,385	
Fundamental Large Cap A (EGIAX)	LCC	12.3	10.1	**7.0**	5.9	◒	●	◒	●	5.75	1.37	1,233	
International Equity A (EKZAX)	IF	22.7	20.0	14.7	–	○	◒	◒	○	5.75	1.03	3,290	
Large Cap Equity A (EVSAX)	LCC	**17.7**	**12.9**	**7.2**	7.0	●	●	●	●	4.75	1.10	1,974	
Special Values A (ESPAX)[2]	SCV	**22.4**	**17.9**	**15.3**	**14.3**	●	●	◒	○	5.75	1.31	2,500	
Strategic Growth A (ESGAX)	LCG	6.1	7.2	2.8	–	◒	◒	◒	◒	5.75	1.07	1,386	
→ **Fairholme** (FAIRX)	MCG	**16.8**	**19.1**	**15.4**	–	●	●	●	○	None	1.00	3,697	866-202-2263
→ **FAM** Value Inv. (FAMVX)	MCC	9.25	10.76	**9.73**	**12.02**	○	○	◒	○	None	1.18	1,046	800-932-3271
→ **Federated** American Leaders A (FALDX)	LCV	**17.0**	10.9	**6.3**	8.0	◒	◒	○	◒	5.50	1.15	2,202	800-341-7400
Capital Appreciation A (FEDEX)	LCC	**16.5**	9.0	5.0	**9.9**	●	○	◒	◒	5.50	1.21	2,204	
Kaufmann K (KAUFX)	MCG	14.8	**13.8**	**10.7**	**11.2**	●	◒	◒	●	None	1.95	9,671	
Kaufmann Small Cap A (FKASX)	SCG	13.9	**16.3**	–	–	◒	●	●	●	5.50	1.95	1,196	
Market Opportunity A (FMAAX)	FX	3.6	4.9	**7.0**	–	○	◒	○	◒	5.50	1.24	2,932	
Max-Cap Index Fund Institutional Service (FMXSX)	SP	15.6	10.6	5.5	7.5	◒	◒	◒	◒	None	0.64	1,344	
Mid-Cap Index (FMDCX)	MCC	10.7	**13.1**	**10.4**	**12.9**	◒	◒	◒	◒	None	0.50	1,225	
→ **Fidelity** Advisor Balanced T (FAIGX)	B	11.7	7.4	5.6	5.9	◒	◒	○	◒	3.50	1.21	1,378	877-208-0098
Advisor Diversified International A (FDVAX)	IF	16.6	19.0	**16.4**	–	○	●	◒	●	5.75	1.20	14,859	
Advisor Diversified Stock O (FDESX)	LCG	10.1	10.2	4.9	3.7	●	●	◒	◒	8.24	0.44	3,227	
Advisor Dividend Growth T (FDGTX)	LCC	14.4	8.0	3.6	–	◒	◒	○	○	3.50	1.29	3,576	
Advisor Equity Growth T (FAEGX)	MLC	6.9	5.5	0.9	5.9	○	◒	○	◒	3.50	1.29	6,293	
Advisor Equity Income T (FEIRX)	EI	**17.3**	**12.3**	**8.5**	**9.2**	◒	◒	◒	●	3.50	1.19	7,355	
Advisor Growth & Income T (FGITX)	LCG	12.9	8.8	4.5	–	●	◒	◒	○	3.50	1.27	1,559	
Advisor Growth Opportunities T (FAGOX)	LCC	5.3	7.4	4.0	3.3	○	●	◒	●	3.50	1.20	3,021	
Advisor Leveraged Company Stock A (FLSAX)	MCV	**17.3**	**20.0**	**26.4**	–	◒	●	●	●	5.75	1.17	1,979	

NOTES: Peer-group abbreviations on page 78. Boldface figures indicate fund beat benchmark index. [1]Through Dec. 28. [2]Closed to new investors. [3]Maximum deferred sales charge. [4]Closed to new investors, other classes open. A dash indicates not available or not applicable. **PEER-GROUP RANK:** ● = fund finished in top quartile of peer group; ◒ = second quartile; ◒ = third quartile; ○ = bottom quartile. **SOURCE:** Lipper, New York; 877-955-4773.

COMPANY/FUND NAME (TICKER)	PEER GROUP	% 2006 RETURN[1]	% ANNUALIZED RETURN[1] THREE YEARS	FIVE YEARS	10 YEARS	PEER-GROUP RANK '06	'05	'04	'03	% SALES LOAD	EXPENSES (% OF ASSETS)	TOTAL ASSETS ($ MIL.)	TELEPHONE
→ **Fidelity** Advisor Mid Cap II T (FITIX)	MCG	12.3	–	–	–	●	●	–	–	3.50	1.40	1,628	877-208-0098
Advisor Mid Cap T (FMCAX)[2]	MCC	13.3	**13.1**	**10.8**	**14.4**	◒	◒	◓	●	3.50	1.24	7,810	
Advisor New Insight T (FNITX)[2]	MLG	11.3	**16.7**	–	–	◓	●	●	–	3.50	1.34	7,577	
Advisor Overseas T (FAERX)	IF	18.5	16.2	12.2	7.4	○	◓	○	●	3.50	1.26	1,185	
Advisor Small Cap T (FSCTX)	SCC	10.3	13.9	9.8	–	○	◓	●	◒	3.50	1.51	3,379	
Advisor Value Strategies T (FASPX)	MLC	16.2	11.0	**9.8**	**11.7**	●	○	●	●	3.50	1.31	1,772	
Aggressive Growth (FDEGX)	MCG	9.5	9.8	0.4	3.2	◓	◒	◒	◒	None	0.70	3,861	800-343-3548
Asset Manager (FASMX)	B	9.5	6.6	5.2	7.4	◒	◒	○	◒	None	0.72	9,374	
Asset Manager: Growth (FASGX)	FX	10.6	7.2	4.9	6.8	◒	○	○	◒	None	0.80	3,221	
Asset Manager: Income (FASIX)	B	7.3	6.8	**6.7**	6.6	◓	●	◓	◓	None	0.58	2,212	
Balanced (FBALX)	B	12.1	**11.6**	**10.0**	**10.8**	◓	●	●	●	None	0.63	22,231	
Blue Chip Growth (FBGRX)	LCG	5.9	5.9	1.5	5.5	◒	◒	◒	◒	None	0.62	20,574	
Canada (FICDX)	IF	15.7	**23.1**	**21.8**	**13.2**	○	●	●	●	None	1.05	3,207	
Capital Appreciation (FDCAX)	MLC	14.1	11.0	**9.8**	**10.2**	◓	◒	◒	●	None	0.90	8,611	
Contrafund (FCNTX)[2]	MLG	11.9	**15.0**	**11.6**	**11.0**	●	●	●	○	None	0.88	68,771	
Convertible Securities (FCVSX)	CV	15.3	10.7	**8.3**	**11.9**	●	●	◓	◓	None	0.69	2,083	
Destiny II O (FDETX)[2]	LCC	14.5	9.5	5.5	7.8	◓	○	●	○	8.24	0.50	5,531	
Disciplined Equity (FDEQX)	LCC	15.2	**13.1**	**7.9**	**9.1**	◓	●	●	◓	None	0.86	7,869	
Diversified International (FDIVX)[2]	IF	22.5	20.6	**17.5**	**13.3**	◒	◓	●	●	None	1.07	45,802	
Dividend Growth (FDGFX)	LCC	15.1	8.6	4.3	**9.7**	◓	◒	○	◒	None	0.59	16,953	
Emerging Markets (FEMKX)	EM	**33.0**	**34.2**	**27.2**	4.8	◓	●	◓	○	None	1.07	3,296	
Equity-Income (FEQIX)	EI	**20.4**	**13.0**	**8.8**	**9.4**	◓	◓	◒	●	None	0.67	29,886	
Equity-Income II (FEQTX)	EI	14.2	10.1	**7.9**	**9.0**	○	◒	○	●	None	0.62	11,646	
Europe (FIEUX)	EU	25.1	**24.7**	**16.1**	**11.1**	○	●	◓	●	None	1.07	4,227	
Export & Multinational (FEXPX)	MLG	8.8	**13.1**	**8.9**	**13.1**	◓	●	◓	◒	None	0.81	4,465	
Fund (FFIDX)	LCC	14.2	10.3	5.4	8.2	◓	●	◒	◓	None	0.57	7,834	
Fifty (FFTYX)	MLC	11.4	10.4	**9.8**	**10.7**	○	●	○	○	None	0.77	1,256	
Four-in-One Index (FFNOX)	MLV	15.8	**12.0**	**8.3**	–	○	◓	○	◒	None	0.29	1,425	
Freedom 2000 (FFFBX)	B	6.8	5.3	4.5	6.7	○	◒	○	○	None	0.52	1,603	
Freedom 2010 (FFFCX)	B	9.6	7.8	**6.3**	8.2	◓	●	●	◓	None	0.62	12,062	
Freedom 2015 (FFVFX)	B	10.5	9.0	–	–	◒	●	◓	–	None	0.67	3,973	
Freedom 2020 (FFFDX)	B	11.8	10.1	**7.3**	**8.7**	◓	●	●	●	None	0.70	16,495	
Freedom 2025 (FFTWX)	B	12.1	10.5	–	–	○	●	◓	–	None	0.72	3,292	
Freedom 2030 (FFFEX)	B	13.2	**11.3**	7.6	8.7	◒	●	●	●	None	0.74	10,342	
Freedom 2035 (FFTHX)	B	13.3	**11.6**	–	–	○	●	◓	–	None	0.75	1,888	
Freedom 2040 (FFFFX)	B	13.7	**11.9**	**7.7**	–	◒	●	◓	●	None	0.76	5,063	
Freedom Income (FFFAX)	B	6.5	4.8	4.2	5.8	◒	●	◒	◒	None	0.51	2,273	
Growth & Income Portfolio (FGRIX)	LCC	11.1	8.4	4.0	7.1	○	◒	◓	○	None	0.66	30,549	
Growth Company (FDGRX)[2]	MLG	10.0	**12.3**	5.4	**9.5**	◓	●	◓	●	None	0.93	30,110	
Independence (FDFFX)	MLC	12.7	**12.1**	**7.6**	**9.7**	◒	●	◓	○	None	0.72	4,728	
International Discovery (FIGRX)	IF	24.0	**21.4**	**18.1**	**11.4**	◓	●	◓	●	None	1.01	8,483	
International Small Cap (FISMX)[2]	IF	13.7	**25.2**	–	–	○	●	●	●	None	1.25	1,764	
Japan (FJPNX)	JA	–4.8	16.2	14.2	7.2	◒	●	◒	◒	None	1.02	1,752	
Large Cap Value (FSLVX)	MLV	**17.7**	**16.1**	**9.9**	–	◒	●	●	○	None	0.84	1,269	
Latin America (FLATX)	LT	**44.1**	**47.6**	**32.8**	15.2	◓	●	◓	◓	None	1.04	3,382	
Leveraged Company Stock (FLVCX)	MCV	**18.4**	**20.8**	**27.5**	–	●	●	●	●	None	0.86	4,828	
Low-Priced Stock (FLPSX)[2]	MCV	**18.2**	**16.7**	**15.7**	**15.5**	●	◒	●	◓	None	0.87	38,784	
Magellan (FMAGX)[2]	LCG	7.7	7.8	3.1	6.9	◓	◓	◓	◒	None	0.56	45,959	
Mid-Cap Stock (FMCSX)[2]	MCC	15.5	**13.9**	**7.0**	**12.8**	●	●	○	◒	None	0.69	12,853	
New Millennium (FMILX)[2]	MCG	14.0	9.9	**7.2**	**13.8**	●	◓	○	◓	None	0.80	2,457	
OTC Portfolio (FOCPX)	MLG	9.6	9.6	5.8	7.1	◓	◓	○	◓	None	0.75	8,957	
Overseas (FOSFX)	IF	20.1	18.7	13.9	**8.4**	○	●	○	●	None	0.86	7,565	
Puritan (FPURX)	B	15.1	10.1	**8.2**	**8.7**	●	◒	◓	◓	None	0.62	25,512	
Real Estate Investment (FRESX)	RE	**32.8**	**27.1**	**23.8**	**15.4**	◒	●	◓	○	None	0.82	8,411	
Select Biotechnology (FBIOX)	H	3.9	8.3	–0.4	**10.4**	◒	◓	●	◓	None	0.93	1,594	
Select Brokerage & Investment Management (FSLBX)	FS	**21.7**	**22.1**	**15.2**	**18.0**	●	●	◒	◓	None	0.90	1,234	
Select Electronics (FSELX)	ST	0.6	2.4	–2.4	8.2	○	●	○	●	None	0.88	2,211	
Select Energy (FSENX)	NR	15.4	**32.6**	**20.2**	**13.8**	◓	●	◓	○	None	0.88	2,446	
Select Energy Service (FSESX)	NR	9.7	**31.3**	**19.2**	**14.1**	○	●	●	○	None	0.90	1,493	
Select Gold (FSAGX)	AU	25.5	18.4	**28.3**	**7.9**	○	●	◒	○	None	0.82	1,567	
Select Health Care (FSPHX)	H	5.5	10.7	4.7	**10.3**	◓	●	◒	○	None	0.87	2,123	
Select Natural Gas (FSNGX)	NR	6.4	**29.5**	**20.4**	**13.0**	○	◓	●	◒	None	0.87	1,252	
Select Technology (FSPTX)	ST	7.8	4.9	2.2	8.6	◓	◒	◒	◓	None	0.93	1,799	
Small Cap Independence (FDSCX)	SCG	15.0	14.1	9.5	9.2	●	●	◓	○	None	0.74	2,747	
Small Cap Stock (FSLCX)[2]	SCC	13.0	12.3	11.2	–	◒	◓	○	◓	None	0.93	4,824	
Southeast Asia (FSEAX)	XJ	**36.8**	**29.1**	**23.6**	7.7	●	●	○	●	None	1.09	1,814	
Spartan 500 Index Inv. (FSMKX)	SP	16.2	11.1	6.0	8.1	●	●	●	●	None	0.09	15,726	
Spartan Extended Market Index Inv. (FSEMX)	MCC	16.0	**15.0**	**12.0**	–	●	◒	●	●	None	0.09	2,630	
Spartan International Index Inv. (FSIIX)	IF	26.2	20.7	15.1	–	◓	◒	●	◓	None	0.09	3,621	
Spartan Total Market Index Inv. (FSTMX)	MLC	16.3	**12.1**	**7.4**	–	●	◒	◓	◓	None	0.10	5,836	
Strategic Real Return (FSRRX)	FX	4.8	–	–	–	○	–	–	–	None	0.79	3,330	
Utilities (FIUIX)	UT	**30.6**	**20.9**	**9.0**	**8.3**	●	◒	◒	◒	None	0.84	1,685	
Value (FDVLX)	MLC	15.7	**17.5**	**14.3**	**12.1**	◓	●	●	●	None	0.71	17,832	
Worldwide (FWWFX)	GL	17.5	15.1	11.0	**8.7**	◒	◓	◒	●	None	1.03	1,356	
→ **First American** Equity Index A (FAEIX)	SP	15.8	10.6	5.6	7.7	◓	◓	◓	◓	5.50	0.62	2,054	800-677-3863

NOTES: Peer-group abbreviations on page 78. Boldface figures indicate fund beat benchmark index. [1]Through Dec. 28. [2]Closed to new investors. [3]Maximum deferred sales charge. [4]Closed to new investors, other classes open. A dash indicates not available or not applicable. **PEER-GROUP RANK:** ● = fund finished in top quartile of peer group; ◓ = second quartile; ◒ = third quartile; ○ = bottom quartile. **SOURCE:** Lipper, New York; 877-955-4773.

COMPANY/FUND NAME (TICKER)	PEER GROUP	% 2006 RETURN[1]	% ANNUALIZED RETURN[1] THREE YEARS	FIVE YEARS	10 YEARS	PEER-GROUP RANK '06	'05	'04	'03	% SALES LOAD	EXPENSES (% OF ASSETS)	TOTAL ASSETS ($ MIL.)	TELEPHONE
→ **First American** Equity Income A (FFEIX)	EI	**20.1**	**11.6**	**7.2**	**8.7**	◓	◒	○	◓	5.50	1.16	1,342	800-677-3863
International A (FAIAX)	IF	21.5	15.5	10.8	**7.2**	○	○	○	◓	5.50	1.56	1,799	
Mid Cap Growth Opportunities A (FRSLX)	MCG	10.0	**14.7**	**11.0**	**10.0**	◓	◓	●	◒	5.50	1.21	1,663	
→ **First Eagle** Global A (SGENX)[2]	GX	20.5	18.4	**20.2**	**14.6**	●	●	●	●	5.00	1.20	20,089	800-334-2143
Overseas A (SGOVX)[2]	IF	22.2	**20.8**	**23.0**	**15.9**	◒	◒	◒	◒	5.00	1.18	11,362	
→ **First Pacific** Capital (FPPTX)[2]	MCV	6.0	**12.0**	**13.1**	**12.9**	○	●	○	◓	5.25	0.84	2,207	800-982-4372
Perennial (FPPFX)	MCC	11.5	**11.1**	**14.3**	**5.2**	●	◒	◒	◒	5.25	0.92	569	
→ **Franklin** Balance Sheet Inv. A (FRBSX)[2]	MCV	**17.1**	**17.9**	**14.6**	**13.3**	◓	◓	●	○	5.75	0.92	5,227	800-632-2301
Capital Growth A (FKREX)	LCG	8.9	5.9	2.4	6.6	●	○	◒	◓	5.75	0.95	1,514	800-342-5236
Flex Cap Growth A (FKCGX)	MLG	6.3	8.8	6.0	**9.2**	◒	◒	◓	◓	5.75	0.93	2,932	
Gold & Precious Metals A (FKRCX)	AU	**32.0**	22.2	**29.9**	10.9	◓	●	●	◓	5.75	0.92	1,355	
Growth A (FKGRX)	MLC	14.6	**11.8**	5.9	7.3	◓	◓	◒	◒	5.75	0.94	2,558	
Income A (FKINX)	B	**19.1**	11.1	**12.0**	**9.7**	●	○	●	●	4.25	0.65	50,978	
Mutual Beacon Z (BEGRX)[4]	MLC	**21.1**	**15.2**	**11.9**	**12.1**	●	●	●	◓	None	0.85	6,972	
Mutual Discovery A (TEDIX)	GL	23.0	19.4	15.0	**13.2**	◓	●	◓	○	5.75	1.38	12,315	
Mutual European Z (MEURX)[4]	EU	**27.0**	**22.6**	**17.5**	**16.6**	○	●	◓	◒	None	1.05	2,265	
Mutual Qualified Z (MQIFX)[4]	MLC	**19.5**	**16.1**	**12.1**	**12.1**	●	●	●	◓	None	0.81	5,608	
Mutual Shares Z (MUTHX)[4]	MLV	**18.6**	**14.6**	**11.1**	**11.5**	◓	●	◒	○	None	0.77	20,854	
Rising Dividends A (FRDPX)	MLV	**18.1**	10.5	**10.1**	**10.6**	◒	○	○	○	5.75	1.09	2,866	
Small Cap Value A (FRVLX)	SCV	17.8	**17.3**	**13.9**	**10.4**	◓	●	●	○	5.75	1.29	1,196	800-632-2301
Small-Mid Cap Growth A (FRSGX)	MCG	8.2	10.9	5.5	8.1	◒	◓	◓	◓	5.75	0.96	7,329	800-342-5236
Templeton Developing Markets Trust A (TEDMX)	EM	27.9	28.0	26.6	8.8	○	◒	◓	◒	5.75	1.97	5,723	800-632-2301
Templeton Foreign A (TEMFX)	IF	19.8	16.8	13.5	**9.0**	○	○	◓	○	5.75	1.16	18,143	
Templeton Founding Funds Allocation A (FFALX)	MLC	**19.5**	**13.4**	–	–	●	◒	◓	–	5.75	0.54	11,212	800-342-5236
Templeton Global Smaller Companies A (TEMGX)	GS	23.9	19.9	**19.0**	**8.5**	●	◒	●	●	5.75	1.34	1,398	
Templeton Growth A (TEPLX)	GL	22.1	16.3	13.3	**11.0**	◓	●	●	◓	5.75	1.05	34,578	
Templeton World A (TEMWX)	GL	21.1	16.7	13.1	**10.2**	◓	◓	●	◓	5.75	1.06	9,606	800-632-2301
Utilities A (FKUTX)	UT	**24.2**	**19.5**	**12.6**	**10.4**	◒	◒	◓	◒	4.25	0.77	2,757	800-342-5236
→ **Friess** Brandywine Blue Fund (BLUEX)	MLC	11.2	**13.4**	**10.1**	**8.8**	○	◓	●	◓	None	1.12	2,105	800-656-3017
Brandywine Fund (BRWIX)	MLC	11.6	**13.6**	**8.3**	7.8	◒	●	◓	◓	None	1.08	4,244	
→ **Gabelli** Asset AAA (GABAX)	MLC	**22.5**	**14.8**	**10.7**	**12.9**	●	○	●	◓	None	1.37	2,483	800-422-3554
→ **Gartmore** International Index A (GIIAX)	IF	25.3	20.1	14.1	–	◓	◒	◓	◓	5.75	0.76	2,107	800-848-0920
Investor Destinations Moderate C (NCDMX)	B	11.0	8.5	**6.2**	–	◒	◒	◓	◒	1.00[3]	1.20	1,491	
Investor Destinations Moderately Agg. C (NDMCX)	B	14.3	11.1	7.7	–	●	◓	●	●	1.00[3]	1.21	1,456	
Mid Cap Market Index A (GMXAX)	MCC	10.4	**12.8**	**10.1**	–	◒	◓	◒	◓	5.75	0.71	1,343	
Nationwide D (MUIFX)	LCC	14.5	11.1	**7.1**	8.1	◓	●	◓	◓	4.50	0.85	1,297	
S&P 500 Index A (GRMAX)	SP	15.9	10.7	5.6	–	●	◓	◓	◓	5.75	0.51	3,544	
→ **Gateway** (GATEX)	LCC	10.3	7.3	5.5	6.8	○	◓	◒	○	None	0.95	3,294	800-354-6339
→ **Goldman Sachs** Capital Growth A (GSCGX)	LCG	8.6	7.1	2.1	7.2	◓	○	◓	◒	5.50	1.39	1,836	800-526-7384
Emerging Markets Equity A (GEMAX)	EM	**28.0**	**31.8**	**25.8**	–	○	●	◓	◒	5.50	1.81	1,276	
Growth & Income A (GSGRX)	MLV	**22.9**	**15.2**	**10.5**	6.0	●	○	●	○	5.50	1.18	1,376	
Growth & Income Strategy A (GOIAX)	B	14.1	**13.1**	**10.3**	–	●	●	●	●	5.50	0.59	1,955	
Growth Opportunities A (GGOAX)	MCG	6.8	9.4	4.6	–	◒	○	◓	◒	5.50	1.47	1,967	
Growth Strategy A (GGSAX)	B	**17.5**	**15.7**	**11.6**	–	●	●	●	●	5.50	0.59	1,732	
Large Cap Value A (GSLAX)	LCC	**19.2**	**15.0**	**10.4**	–	●	◓	●	◒	5.50	1.23	1,518	
Mid Cap Value A (GCMAX)[2]	MCV	16.3	**18.2**	**14.7**	–	◓	●	●	○	5.50	1.16	6,762	
Small Cap Value A (GSSMX)	SCC	18.1	13.4	**13.8**	**12.6**	◓	○	◒	◓	5.50	1.48	2,085	
Structured International Equity A (GCIAX)	IF	**27.5**	**21.6**	**15.8**	–	◓	◓	◒	◒	5.50	1.27	2,704	
Structured Large Cap Growth A (GLCGX)	MLG	8.4	8.5	3.5	–	◓	◒	◒	◒	5.50	1.00	1,381	
Structured Large Cap Value A (GCVAX)	MLV	**18.6**	**16.0**	**10.0**	–	◓	◓	●	◒	5.50	0.99	1,632	
Structured US Equity A (GSSQX)	LCC	13.7	12.1	7.0	8.1	◒	●	●	●	5.50	0.99	1,640	
→ **Harbor** Capital Appreciation Inv. (HCAIX)	LCG	2.3	8.6	–	–	○	●	◓	●	None	1.11	8,787	800-422-1050
International Inv. (HIINX)	IF	**32.4**	**24.1**	–	–	●	●	◓	●	None	1.30	17,643	
Small Cap Value Inv. (HISVX)[2]	SCC	11.1	**14.8**	–	–	○	●	●	◓	None	1.26	2,175	
→ **Hartford** Advisers A (ITTAX)	B	10.4	7.2	4.4	7.0	◒	●	○	◒	5.50	1.18	1,699	888-843-7824
Capital Appreciation A (ITHAX)	MLC	16.1	**17.0**	**11.4**	**16.6**	●	●	●	●	5.50	1.22	14,727	
Dividend & Growth A (IHGIX)	EI	**20.0**	**12.9**	**8.8**	**9.5**	◓	◓	◒	◓	5.50	1.16	3,515	
Growth A (HGWAX)	LCG	4.7	7.2	–	–	◒	◒	●	●	5.50	1.30	1,191	
Growth Opportunities L (FGRWX)[4]	MLG	12.0	**15.4**	**9.4**	**9.7**	●	●	●	●	4.75	1.02	1,271	
MidCap A (HFMCX)[2]	MCC	11.5	**15.0**	**11.6**	–	◒	●	◓	◓	5.50	1.28	3,053	
Stock A (IHSTX)	LCC	14.2	9.1	3.8	7.5	◓	●	○	◒	5.50	1.31	1,199	
→ **Heartland** Value (HRTVX)	SCC	**28.5**	13.1	**16.6**	**14.7**	●	○	○	●	None	1.17	1,980	800-432-7856
→ **Henderson** International Opportunities (HFOAX)	IF	**27.7**	**22.3**	**18.3**	–	●	◓	●	●	5.75	1.66	2,074	866-343-6337
→ **Hennessy** Cornerstone Growth (HFCGX)	SCC	11.4	13.6	**15.1**	**16.3**	○	●	◒	◓	None	1.23	1,262	800-966-4354
→ **Heritage** Mid Cap Stock (HMCAX)	MCC	13.6	**13.7**	**8.1**	–	◓	◒	◓	○	4.75	1.15	1,377	800-421-4184
→ **Hotchkis & Wiley** Core Value A (HWCAX)[2]	MLV	15.2	–	–	–	○	●	–	–	5.25	1.20	1,810	866-493-8637
Large Cap Value A (HWLAX)[2]	EI	13.9	**14.2**	**14.1**	–	○	◓	●	●	5.25	1.22	5,997	
Mid-Cap Value A (HWMAX)[2]	MCV	**16.7**	**17.7**	**17.6**	–	◓	◓	●	●	5.25	1.26	4,648	
→ **Hussman** Strategic Growth (HSGFX)	MCC	3.4	5.2	**9.8**	–	○	○	○	○	None	1.14	2,884	800-487-7626
→ **ING** International Value A (NIVAX)[2]	IF	**28.6**	**21.6**	**16.5**	**14.5**	●	○	◓	●	5.75	1.61	5,030	800-992-0180
→ **iShares** Dow Jones Select Dividend Index (DVY)	EI	**20.1**	**13.9**	–	–	–	–	–	–	None	0.40	7,446	800-474-2737
Goldman Sachs Natural Resources Index (IGE)	NR	**17.2**	**26.2**	**18.1**	–	–	–	–	–	None	0.09	1,419	
MSCI EAFE Index (EFA)	IF	**26.0**	**20.5**	**15.1**	–	–	–	–	–	None	0.48	34,608	
S&P 500 Index (IVV)	SP	**16.2**	11.1	**6.0**	–	–	–	–	–	None	0.35	18,145	
→ **Ivy** Asset Strategy A (WASAX)	FX	**19.6**	**18.5**	**13.7**	–	●	●	●	○	5.75	1.28	1,820	800-532-2780

NOTES: Peer-group abbreviations on page 78. Boldface figures indicate fund beat benchmark index. [1]Through Dec. 28. [2]Closed to new investors. [3]Maximum deferred sales charge. [4]Closed to new investors, other classes open. A dash indicates not available or not applicable. **PEER-GROUP RANK:** ● = fund finished in top quartile of peer group; ◓ = second quartile; ◒ = third quartile; ○ = bottom quartile. **SOURCE:** Lipper, New York; 877-955-4773.

COMPANY/FUND NAME (TICKER)	PEER GROUP	% 2006 RETURN[1]	% ANNUALIZED RETURN[1] THREE YEARS	FIVE YEARS	10 YEARS	PEER-GROUP RANK '06	'05	'04	'03	% SALES LOAD	EXPENSES (% OF ASSETS)	TOTAL ASSETS ($ MIL.)	TELEPHONE
→ **Ivy** Global Natural Resources A (IGNAX)	NR	**26.5**	**28.7**	**26.2**	–	●	○	◒	●	5.75	1.41	4,498	800-532-2780
→ **J.P. Morgan** Diversified Mid Cap Growth A (OSGIX)	MCG	11.8	**11.9**	**6.9**	**11.7**	◒	◒	◒	○	5.25	1.24	1,371	800-480-4111
Equity Index A (OGEAX)	SP	15.8	10.7	5.6	7.7	◒	●	◒	◒	5.25	0.45	2,129	
International Equity A (JSEAX)	IF	22.9	18.1	–	–	◒	○	●	◒	5.25	1.34	4,409	
International Equity Index A (OEIAX)	IF	**26.5**	**21.6**	**16.1**	**8.7**	◒	◒	●	●	5.25	1.07	1,411	
Intrepid America A (JIAAX)	LCC	**16.3**	–	–	–	●	–	–	–	5.25	1.25	5,248	
Intrepid Growth A (JIGAX)	LCG	9.7	–	–	–	●	–	–	–	5.25	1.25	1,458	
Investor Balanced A (OGIAX)	B	10.4	8.0	**6.4**	7.2	◒	◒	◒	◒	4.50	0.47	1,868	
Investor Growth & Income A (ONGIX)	B	12.9	9.8	**6.9**	7.9	◒	◒	◒	◒	4.50	0.48	2,001	
Investor Growth B (OGIGX)	MLC	14.4	10.8	**6.6**	7.9	◒	◒	◒	◒	5.00[3]	1.08	1,408	
Mid Cap Value A (JAMCX)[2]	MCV	**17.3**	**15.7**	**15.5**	–	◒	◒	◒	○	5.25	1.25	8,002	
Multi-Cap Market Neutral A (OGNAX)	EMN	7.1	5.1	–	–	●	◒	◒	–	5.25	1.50	2,098	
U.S. Equity A (JUEAX)	LCC	**17.5**	10.4	5.0	–	●	○	◒	●	5.25	1.05	1,502	
→ **Janus** Adviser Forty A (JDCAX)	LCG	11.1	–	–	–	●	●	–	–	5.75	0.92	2,183	800-525-3713
Balanced (JABAX)	B	10.9	9.4	**6.7**	**9.8**	◒	●	◒	○	None	0.79	2,517	
Contrarian (JSVAX)	MLC	**25.0**	**21.7**	**15.8**	–	●	●	●	●	None	0.93	4,286	
Enterprise (JAENX)	MCG	13.6	**15.6**	**8.2**	7.6	●	◒	●	◒	None	0.95	1,801	
Global Research (JAMRX)	LCG	8.9	9.3	3.9	**8.6**	●	◒	●	●	None	0.93	3,929	
Growth & Income (JAGIX)	LCC	8.4	**11.4**	5.9	**10.6**	○	●	●	◒	None	0.87	6,955	
Janus Fund (JANSX)	LCG	11.0	7.1	2.8	6.1	●	◒	◒	●	None	0.87	11,496	
Mid Cap Value Inv. (JMCVX)	MCV	15.8	**15.2**	**12.9**	–	◒	◒	◒	◒	None	0.92	6,489	
Overseas (JAOSX)	IF	**46.8**	**33.2**	**19.4**	**14.6**	●	●	◒	◒	None	0.89	5,932	
Small Cap Value Inv. (JSCVX)[2]	SCC	13.2	12.1	9.9	–	◒	◒	○	○	None	0.99	2,015	
Twenty (JAVLX)[2]	LCG	12.8	**15.6**	**7.6**	**9.6**	●	●	●	◒	None	0.86	9,870	
Venture (JAVTX)[2]	SCG	**24.3**	**14.5**	10.9	**10.7**	●	○	●	●	None	0.87	1,471	
Worldwide (JAWWX)	GL	18.1	10.5	4.0	**6.9**	◒	○	○	○	None	0.85	4,542	
→ **JennisonDryden** 20/20 Focus A (PTWAX)	MLC	14.5	**18.0**	**10.0**	–	◒	●	●	◒	5.50	1.28	1,211	800-225-1852
Blend A (PBQAX)	LCC	12.1	**13.6**	**7.8**	7.3	◒	●	◒	●	5.50	0.93	1,817	
Dryden Stock Index A (PSIAX)	SP	15.7	10.5	5.5	–	◒	◒	◒	◒	3.25	0.63	1,671	
Growth A (PJFAX)	LCG	1.9	8.6	2.3	6.6	○	●	◒	◒	5.50	1.07	3,039	
Natural Resources A (PGNAX)	NR	**22.0**	**34.2**	**31.6**	**16.9**	●	●	◒	●	5.50	1.14	1,879	
Utility A (PRUAX)	UT	**27.1**	**29.9**	**16.1**	**13.1**	◒	●	●	●	5.50	0.80	4,781	
Value A (PBEAX)	MLV	**19.7**	**17.7**	**10.0**	**10.3**	◒	●	◒	◒	5.50	1.04	1,205	
→ **Jensen** Portfolio J (JENSX)	LCC	14.6	6.7	4.3	**9.4**	◒	○	○	○	None	0.85	2,254	800-992-4144
→ **John Hancock** Lifestyle Aggressive Portfolio A (JALAX)	MLC	15.4	–	–	–	◒	–	–	–	5.00	0.65	2,823	800-225-5291
Lifestyle Balanced Portfolio C (JCLBX)	B	11.6	–	–	–	◒	–	–	–	1.00[3]	1.30	7,731	
Lifestyle Conservative Portfolio A (JALRX)	B	7.8	–	–	–	◒	–	–	–	5.00	0.57	1,205	
Lifestyle Growth Portfolio A (JALGX)	MLC	13.3	–	–	–	◒	–	–	–	5.00	0.62	8,219	
Lifestyle Moderate Portfolio A (JALMX)	B	9.9	–	–	–	○	–	–	–	5.00	0.58	2,052	
Regional Bank A (FRBAX)	FS	15.6	10.5	**10.8**	**10.5**	○	○	◒	○	5.00	1.33	1,992	
U.S. Global Leaders Growth A (USGLX)	LCG	1.9	4.7	2.6	8.3	○	○	◒	○	5.00	1.28	1,628	
→ **Julius Baer** International Equity A (BJBIX)[2]	IF	**31.5**	**24.7**	**20.2**	**17.2**	●	●	●	◒	None	1.31	21,156	800-387-6977
International Equity II A (JETAX)	IF	**28.4**	–	–	–	●	–	–	–	None	1.36	3,463	
→ **Keeley** Small Cap Value (KSCVX)	SCC	**20.5**	**23.3**	**18.8**	**16.6**	●	●	●	◒	4.50	1.52	3,377	888-933-5391
→ **Kinetics** Paradigm Fund (WWNPX)	MCV	**28.0**	**22.7**	**20.5**	–	●	●	◒	●	None	1.70	1,963	
→ **Lazard** Emerging Markets Open (LZOEX)	EM	29.5	**34.5**	**30.1**	–	◒	●	●	◒	None	1.59	2,971	800-823-6300
→ **Legg Mason** Aggressive Growth A (SHRAX)	MLG	8.5	11.1	4.3	**14.8**	◒	◒	◒	◒	5.75	1.21	10,833	800-451-2010
Appreciation A (SHAPX)	LCC	15.0	9.8	**6.1**	**8.6**	◒	◒	◒	◒	5.75	0.97	6,088	
Capital & Income A (SOPAX)	B	12.0	10.0	**9.3**	**8.4**	◒	●	●	●	5.75	1.13	2,592	
Capital C (SCCCX)	MLC	10.3	10.6	**7.4**	**12.2**	○	◒	◒	●	1.00[3]	1.89	1,384	
Dividend Strategy C (SCPLX)	LCC	**17.8**	6.5	1.3	–	●	○	○	◒	1.00[3]	1.75	2,693	
Fundamental Value A (SHFVX)	MLC	**17.5**	10.1	6.0	**9.8**	●	○	○	●	5.75	1.06	4,617	
Investors Value O (SAIFX)[2]	LCV	**18.4**	**12.4**	**7.7**	**10.0**	◒	◒	◒	●	None	0.58	1,459	800-446-1013
Large Capitalization Growth A (SBLGX)	LCG	4.7	3.8	3.6	–	◒	◒	○	●	5.75	1.17	5,914	800-451-2010
Opportunity Trust Primary (LMOPX)	MLG	13.9	**11.8**	**14.5**	–	●	◒	◒	●	None	1.84	6,721	800-822-5544
Special Investment Trust Primary (LMASX)	MLG	8.4	10.4	**13.5**	**13.2**	◒	◒	◒	●	None	1.76	3,753	
Value Trust Primary (LMVTX)	MLG	6.4	8.6	**7.8**	**12.0**	◒	○	◒	●	None	1.68	20,750	
→ **Leuthold** Core Investment (LCORX)[2]	FX	12.6	**12.4**	**13.2**	**12.0**	◒	●	◒	●	None	1.19	1,670	800-273-6886
→ **Litman/Gregory** Manager's Select International (MSILX)	IF	**23.4**	**21.2**	**16.0**	–	◒	●	◒	◒	None	1.08	1,725	800-960-0188
→ **Longleaf Partners** (LLPFX)[2]	MLV	**22.1**	11.0	**10.8**	**12.7**	●	○	○	●	None	0.91	10,883	800-445-9469
International (LLINX)	IF	17.1	14.2	11.6	–	○	◒	○	●	None	1.65	3,258	
Small-Cap (LLSCX)[2]	MCC	**23.2**	**16.3**	**16.5**	**14.6**	●	◒	◒	●	None	0.93	3,435	
→ **Lord Abbett** Affiliated A (LAFFX)	LCV	**18.1**	**11.8**	**7.9**	**9.8**	◒	○	◒	●	5.75	0.83	20,837	800-821-5129
All Value A (LDFVX)	MLV	14.3	**12.2**	**9.4**	**11.1**	○	◒	◒	◒	5.75	1.17	3,160	
America's Value A (LAMAX)	EI	15.0	**12.1**	**9.4**	–	○	◒	●	○	5.75	1.34	1,265	
Balanced Strategy A (LABFX)	B	12.9	8.8	**7.2**	7.7	●	○	●	●	5.75	0.35	1,290	
Mid-Cap Value A (LAVLX)[2]	MCV	13.0	**15.4**	**11.4**	**14.4**	○	◒	●	○	5.75	1.08	10,482	
Small-Cap Blend A (LSBAX)[2]	SCC	6.9	13.8	**13.6**	–	○	●	◒	●	5.75	1.38	1,609	
Small-Cap Value A (LRSCX)[2]	SCC	**21.6**	**19.3**	**16.7**	**15.8**	●	●	◒	◒	5.75	1.30	4,022	
→ **Mainstay** MAP A (MAPAX)	MLC	**16.7**	**14.0**	**10.1**	–	●	◒	●	●	5.50	1.35	1,283	800-624-6782
S&P 500 Index A (MSXAX)	SP	15.6	–	–	–	◒	◒	–	–	3.00	0.73	1,655	
Small Cap Opportunity A (MOPAX)[2]	SCV	13.6	–	–	–	◒	●	–	–	5.50	1.66	1,554	
→ **Mairs** Growth (MPGFX)	MLC	11.0	**11.3**	**9.6**	**12.3**	○	○	●	◒	None	0.70	2,682	800-304-7404
→ **Managers** Special Equity (MGSEX)	SCC	11.9	10.6	8.2	**10.1**	○	◒	○	◒	None	1.40	3,209	800-548-4539
→ **Marisco** Focus (MFOCX)	LCG	9.0	10.6	**7.8**	–	●	●	●	●	None	1.22	4,836	888-860-8686

NOTES: Peer-group abbreviations on page 78. Boldface figures indicate fund beat benchmark index. [1]Through Dec. 28. [2]Closed to new investors. [3]Maximum deferred sales charge. [4]Closed to new investors, other classes open. A dash indicates not available or not applicable. **PEER-GROUP RANK:** ● = fund finished in top quartile of peer group; ◒ = second quartile; ◒ = third quartile; ○ = bottom quartile. **SOURCE:** Lipper, New York; 877-955-4773.

COMPANY/FUND NAME (TICKER)	PEER GROUP	% 2006 RETURN[1]	% ANNUALIZED RETURN[1] THREE YEARS	FIVE YEARS	10 YEARS	PEER-GROUP RANK '06	'05	'04	'03	% SALES LOAD	EXPENSES (% OF ASSETS)	TOTAL ASSETS ($ MIL.)	TELEPHONE
→ **Marisco** Growth (MGRIX)	LCG	6.9	9.7	7.4	–	◒	◒	●	●	None	1.24	2,692	888-860-8686
→ **Matrix** Advisors Value (MAVFX)	MLC	16.91	7.61	6.90	10.63	●	○	○	●	None	0.99	192	800-366-6223
→ **Matthews** Asian Growth & Income (MACSX)[2]	XJ	23.1	20.8	21.5	13.8	◒	○	●	◒	None	1.27	1,976	800-789-2742
Pacific Tiger (MAPTX)[2]	XJ	27.0	25.0	24.1	9.8	◒	◒	●	●	None	1.30	3,201	
→ **Meridian** Growth (MERDX)	MCC	16.5	10.7	10.2	12.9	●	○	◒	●	None	0.85	1,895	800-446-6662
Value (MVALX)	MCC	19.2	12.6	10.5	17.5	●	○	◒	◒	None	1.09	1,784	
→ **MFS** Capital Opportunities A (MCOFX)	MLC	15.0	10.1	3.1	7.1	◒	○	◒	◒	5.75	1.21	1,229	800-225-2606
Emerging Growth A (MFEGX)	MLG	8.0	10.3	2.4	3.4	◒	◒	◒	◒	5.75	1.26	3,137	
Growth Allocation A (MAGWX)	B	12.9	11.5	–	–	◒	●	●	●	5.75	0.45	2,506	
International Diversification A (MDIDX)	IF	27.0	–	–	–	◒	●	–	–	5.75	0.35	1,728	
International New Discovery A (MIDAX)	IF	26.6	24.6	21.4	–	◒	◒	◒	◒	5.75	1.61	4,563	
Massachusetts Investors Growth Stock A (MIGFX)	LCG	7.9	7.6	1.4	7.9	◒	◒	●	○	5.75	0.95	6,095	
Massachusetts Investors Trust A (MITTX)	LCC	13.8	11.3	5.2	6.3	◒	●	●	○	5.75	0.94	4,909	
Mid Cap Growth A (OTCAX)	MCG	2.7	7.0	–2.7	6.1	○	○	◒	◒	5.75	1.28	1,412	
Moderate Allocation A (MAMAX)	B	10.6	9.1	–	–	◒	◒	●	◒	5.75	0.45	2,137	
Research A (MFRFX)	MLC	11.0	11.9	5.2	5.9	○	◒	●	○	5.75	1.05	2,817	
Research International A (MRSAX)	IF	27.1	21.9	15.9	–	●	◒	●	◒	5.75	1.42	3,934	
Strategic Growth A (MFSGX)	LCG	6.6	5.3	0.5	7.7	◒	○	◒	◒	5.75	1.26	1,611	
Total Return A (MSFRX)	B	12.3	9.3	7.4	8.8	●	◒	●	◒	5.75	0.91	11,582	
Utilities A (MMUFX)	UT	31.7	26.5	15.6	13.0	●	●	●	●	5.75	1.12	2,358	
Value A (MEIAX)	LCV	21.4	14.7	9.8	12.3	●	◒	●	○	5.75	1.16	9,274	
→ **Morgan Stanley** Dividend Growth Securities A (DIVAX)	LCC	11.7	9.0	5.7	–	○	◒	◒	◒	5.25	0.84	4,297	800-350-6414
Equally-Weighted S&P 500 A (VADAX)	MLC	15.7	13.6	10.7	–	◒	◒	●	●	5.25	0.63	2,263	
Focus Growth A (AMOAX)	LCG	0.5	8.0	2.7	–	○	●	◒	○	5.25	1.01	3,297	
Global Dividend Growth Securities A (GLBAX)	GL	21.8	14.7	11.4	–	◒	◒	◒	◒	5.25	1.22	1,366	
S&P 500 Index B (SPIBX)	SP	14.8	9.7	4.6	–	○	○	○	○	5.00[3]	1.39	1,223	
→ **Mosaic** Investors (MINVX)	MLC	16.95	8.92	5.14	8.68	●	○	◒	○	None	0.94	176	800-368-3195
→ **Muhlenkamp** (MUHLX)	MLV	4.6	12.1	10.8	13.2	○	◒	●	●	None	1.06	2,941	800-860-3863
→ **Munder** Mid-Cap Core Growth A (MGOAX)	MCG	12.4	15.9	12.2	–	●	●	●	◒	5.50	1.30	2,599	800-438-5789
→ **Neuberger Berman** Fasciano (NBFSX)	SCC	5.75	7.23	7.61	8.02	○	○	○	○	None	1.20	507	800-877-9700
Focus Inv. (NBSSX)	MLV	12.7	6.4	4.5	8.7	○	○	○	●	None	0.87	1,263	
Genesis Inv. (NBGNX)[2]	SCG	8.3	14.7	13.7	14.1	◒	●	●	○	None	1.04	10,850	
Guardian Inv. (NGUAX)	MLC	14.1	13.4	7.6	6.1	◒	◒	●	●	None	0.90	1,623	
International Inv. (NBISX)[2]	IF	25.0	27.1	20.5	11.6	◒	●	●	●	None	1.39	1,611	
Partners Inv. (NPRTX)	MLG	13.7	17.4	10.3	8.9	●	●	●	◒	None	0.85	3,980	
→ **Nicholas** (NICSX)	MLC	9.8	9.5	5.5	6.0	○	◒	◒	◒	None	0.77	2,371	800-544-6547
→ **Northern** Equity Index (NOINX)	IF	25.6	–	–	–	◒	–	–	–	None	0.45	1,298	800-595-9111
International Growth Equity (NOIGX)	IF	25.0	18.4	14.0	8.1	◒	○	◒	●	None	1.26	1,310	
Large Cap Value (NOLVX)	LCV	19.9	11.7	8.8	–	◒	○	◒	◒	None	1.10	1,212	
→ **Nuveen** NWQ Multi-Cap Value A (NQVAX)	MLV	17.1	17.2	–	–	◒	●	●	●	5.75	1.33	1,263	800-257-8787
→ **Oakmark** Equity & Income I (OAKBX)	B	11.3	10.4	10.0	13.4	◒	●	◒	◒	None	0.90	11,534	800-625-6275
Global I (OAKGX)	GL	24.6	18.4	19.1	–	●	◒	●	●	None	1.20	2,597	
International I (OAKIX)	IF	30.5	21.9	17.9	12.5	●	◒	◒	◒	None	1.11	8,440	
International Small Cap I (OAKEX)[2]	IF	34.3	28.8	25.2	15.6	●	◒	◒	◒	None	1.41	1,378	
Oakmark I (OAKMX)	LCC	18.8	9.9	7.1	8.6	●	○	●	◒	None	1.04	5,924	
Select I (OAKLX)	MLC	14.3	10.1	8.2	17.2	◒	◒	◒	◒	None	1.00	6,180	
→ **Olstein** All Cap Value C (OFALX)	MCV	15.0	9.9	7.5	14.9	◒	○	○	◒	1.00[3]	2.19	1,726	800-799-2113
→ **Oppenheimer** Active Allocation A (OAAAX)	FX	14.2	–	–	–	●	–	–	–	5.75	0.54	1,605	800-225-5677
Capital Appreciation A (OPTFX)	LCG	7.9	6.8	2.7	8.1	◒	◒	◒	◒	5.75	1.07	8,005	
Capital Income A (OPPEX)	B	15.3	9.5	7.9	8.5	●	○	●	●	5.75	0.91	3,235	
Equity A (OEQAX)	LCC	10.9	10.5	6.7	7.8	○	●	●	◒	5.75	0.89	2,766	
Global A (OPPAX)	MLG	17.7	17.7	12.1	13.5	◒	◒	●	●	5.75	1.12	16,928	
Global Opportunities A (OPGIX)	GX	11.3	20.8	14.4	15.6	◒	●	●	●	5.75	1.16	4,771	800-525-7048
Growth A (OPPSX)	LCG	5.1	6.6	0.8	2.9	◒	●	◒	○	5.75	1.16	1,308	800-225-5677
International Growth A (OIGAX)	IF	29.5	20.9	14.5	11.1	●	◒	◒	●	5.75	1.41	1,814	
Main Street A (MSIGX)	LCC	15.5	10.7	6.3	7.5	◒	◒	◒	◒	5.75	0.92	11,730	
Main Street Opportunity A (OMSOX)	MLC	15.4	12.0	10.3	–	◒	◒	◒	●	5.75	1.08	4,258	
Main Street Small Cap A (OPMSX)	SCC	15.6	15.2	13.2	–	◒	●	◒	◒	5.75	1.15	4,892	
Quest Balanced A (QVGIX)	B	11.0	8.4	5.6	10.6	◒	○	◒	●	5.75	1.17	6,500	
Quest Opportunity Value A (QVOPX)	FX	11.3	8.0	4.5	6.2	◒	○	◒	◒	5.75	1.28	1,499	
Real Asset A (QRAAX)	SE	–13.3	9.6	14.9	–	○	●	●	◒	5.75	1.30	1,418	
Small- & Mid-Cap Value A (QVSCX)	MCV	18.5	19.8	17.2	12.5	●	◒	●	●	5.75	1.23	3,719	
Value A (CGRWX)	LCV	16.4	13.3	10.6	7.8	◒	◒	●	●	5.75	0.99	2,320	
→ **Pax World** Balanced (PAXWX)	B	10.9	10.2	7.2	9.4	◒	◒	●	○	None	0.95	2,199	800-767-1729
→ **Phoenix** Real Estate Securities C (PHRCX)	RE	34.8	26.6	–	–	◒	◒	◒	–	1.00[3]	2.05	1,472	800-243-4361
→ **Pimco** All Asset A (PASAX)	FX	4.7	7.3	–	–	○	◒	◒	–	3.75	0.87	12,569	800-426-0107
CommodityRealReturn Strategy A (PCRAX)	SE	–3.6	10.4	–	–	◒	◒	●	●	5.50	1.24	13,370	
→ **Pioneer** A (PIODX)	LCC	17.0	12.2	6.6	9.6	●	◒	●	◒	5.75	1.07	7,891	800-225-6292
Cullen Value A (CVFCX)	LCV	17.1	15.5	14.0	–	◒	●	●	●	5.75	1.15	2,264	
Equity-Income A (PEQIX)	EI	24.0	15.7	9.2	10.2	●	◒	●	○	5.75	1.06	1,205	
Mid Cap Value A (PCGRX)	MCV	12.9	14.4	12.2	10.9	○	◒	●	◒	5.75	1.10	2,726	
Value A (PIOTX)	LCV	16.0	11.8	7.4	6.5	○	◒	◒	◒	5.75	0.98	4,375	
→ **Primecap** Odyssey Aggressive Growth (POAGX)	MCG	22.33	–	–	–	●	◒	–	–	None	1.25	148	800-729-2307
→ **Principal** Investors International Growth J (PITJX)	IF	23.2	22.9	15.9	–	◒	●	●	◒	1.00[3]	1.88	1,340	800-247-4123
Investors LifeTime 2020 J (PLFJX)	B	13.9	11.1	8.6	–	●	●	●	●	1.00[3]	0.73	2,094	

NOTES: Peer-group abbreviations on page 78. Boldface figures indicate fund beat benchmark index. [1]Through Dec. 28. [2]Closed to new investors. [3]Maximum deferred sales charge. [4]Closed to new investors, other classes open. A dash indicates not available or not applicable. **PEER-GROUP RANK:** ● = fund finished in top quartile of peer group; ◒ = second quartile; ◒ = third quartile; ○ = bottom quartile. **SOURCE:** Lipper, New York; 877-955-4773.

COMPANY/FUND NAME (TICKER)	PEER GROUP	% 2006 RETURN[1]	% ANNUALIZED RETURN[1] THREE YEARS	FIVE YEARS	10 YEARS	PEER-GROUP RANK '06	'05	'04	'03	% SALES LOAD	EXPENSES (% OF ASSETS)	TOTAL ASSETS ($ MIL.)	TELEPHONE
→ **Putnam** Investors LifeTime 2030 J (PLTJX)	B	14.9	**11.8**	**8.5**	–	◓	●	●	○	1.00[3]	0.79	1,737	800-225-1581
Investors Real Estate Securities J (PREJX)	RE	**34.8**	**27.1**	**24.7**	–	◓	●	◓	◓	1.00[3]	1.63	1,448	
Partners LargeCap Value J (PLVJX)	MLV	**21.7**	**13.3**	**9.0**	–	●	◒	○	○	1.00[3]	1.53	2,613	
Balanced Portfolio A (PABAX)	B	12.9	9.9	7.0	7.0	◓	●	◓	◓	5.25	1.09	2,111	
Equity Income A (PEYAX)	EI	**20.0**	**13.0**	**9.4**	**9.6**	◓	◓	◒	◓	5.25	0.95	3,786	
Fund for Growth & Income A (PGRWX)	LCV	**16.4**	**11.3**	**6.8**	7.3	◒	◒	◒	◒	5.25	0.86	15,262	
George Putnam Fund of Boston A (PGEOX)	B	12.6	8.6	**6.4**	7.2	●	◒	◒	◒	5.25	0.88	4,647	
Global Equity A (PEQUX)	GL	23.6	15.7	9.8	**10.0**	●	◓	●	◓	5.25	1.18	2,101	
Growth Portfolio A (PAEAX)	B	17.2	13.7	9.9	**8.2**	●	●	●	●	5.25	1.21	2,086	
Health Sciences Trust A (PHSTX)	H	3.2	8.2	3.4	7.8	◒	●	◒	○	5.25	1.09	2,324	
International Capital Opportunities A (PNVAX)	IF	**32.0**	**28.2**	**20.0**	**16.3**	●	◓	◓	○	5.25	1.49	1,712	
International Equity A (POVSX)	IF	**28.2**	19.6	12.6	**11.5**	●	◒	◓	◒	5.25	1.13	6,855	
Investors A (PINVX)	LCC	14.4	**12.5**	**6.3**	6.9	◓	●	●	◓	5.25	0.98	4,072	
New Opportunities A (PNOPX)	MLG	9.4	10.3	3.9	5.0	◓	◒	◒	◒	5.25	1.04	4,773	
New Value A (PANVX)	MLV	**16.6**	**13.0**	**9.9**	**9.6**	◒	◒	◓	◓	5.25	1.11	2,063	
Vista A (PVISX)	MCG	6.4	**12.7**	5.5	6.7	◒	◓	●	◒	5.25	0.94	2,461	
Voyager A (PVOYX)	LCG	5.7	5.9	1.2	5.3	◒	◓	◒	◒	5.25	1.01	8,551	
→ **Rainier** Small/Mid Cap Equity (RIMSX)[2]	MCG	15.5	**17.2**	**13.2**	**11.9**	●	●	●	●	None	1.22	3,926	800-248-6314
→ **RiverSource** Disciplined Equity A (AQEAX)	LCC	**17.0**	**11.6**	–	–	●	◓	◓	–	5.75	1.01	2,166	888-791-3380
Diversified Equity Income A (INDZX)	EI	**20.1**	**17.8**	**13.3**	**10.6**	◓	●	●	●	5.75	1.04	7,434	
Dividend Opportunity A (INUTX)	EI	**23.7**	**15.1**	**6.7**	8.0	●	●	◓	○	5.75	1.15	1,570	
Equity Value A (IEVAX)	LCV	**20.8**	**16.4**	**8.8**	8.0	●	●	●	●	5.75	1.15	1,252	
Growth A (INIDX)	LCG	11.0	9.9	3.4	3.1	●	●	◓	○	5.75	1.13	3,509	
International Select Value A (APIAX)	IF	**28.3**	**24.8**	**19.4**	–	●	●	◓	◓	5.75	1.49	2,115	
Large Cap Equity A (ALEAX)	LCC	15.2	9.2	–	–	◓	◓	○	◓	5.75	1.05	7,340	
Mid Cap Growth A (INVPX)	MCG	0.3	6.8	4.9	8.1	○	◓	○	○	5.75	1.09	1,338	
Mid Cap Value A (AMVAX)	MCV	**17.5**	**19.7**	–	–	◓	●	●	●	5.75	1.37	2,045	
Strategic Allocation A (IMRFX)	FX	**16.4**	**12.6**	**8.0**	6.4	●	◓	●	○	5.75	1.09	1,553	
→ **Royce** Low-Priced Stock (RYLPX)[2]	SCC	**19.8**	**14.8**	**12.3**	**16.1**	●	●	○	◓	None	1.49	4,663	800-221-4268
Opportunity Inv. (RYPNX)	SCV	19.2	14.1	**16.0**	**17.5**	◓	◒	◒	●	None	1.14	2,326	
Pennsylvania Mutual Inv. (PENNX)	SCC	15.7	**16.6**	**14.7**	**14.5**	◓	●	◓	◒	None	0.90	4,039	
Premier Inv. (RYPRX)[2]	SCC	9.5	**16.7**	**14.9**	**13.9**	○	●	●	◒	None	1.14	4,652	
Total Return Inv. (RYTRX)	SCC	15.4	14.0	**13.3**	**13.0**	◒	◓	◒	○	None	1.12	5,961	
Value Plus (RYVPX)	SCC	**20.2**	**21.2**	**21.5**	–	●	●	●	●	None	1.17	1,353	
→ **RS** Global Natural Resources (RSNRX)	NR	8.9	**28.4**	**28.4**	**11.4**	○	◒	●	●	4.75	1.49	1,748	800-766-3863
Partners A (RSPFX)[2]	SCC	11.6	**18.8**	**22.8**	**14.3**	○	●	●	●	4.75	1.48	2,542	
Value (RSVAX)	MCV	**16.3**	**19.3**	**23.4**	6.6	◓	◓	●	●	4.75	1.39	1,975	
→ **Russell** Balanced Strategy C (RBLCX)	B	12.2	9.8	**7.8**	–	●	●	●	◓	None	1.00	4,964	800-787-7354
Diversified Equity C (RDECX)	LCC	13.0	10.4	5.2	–	◒	●	◓	◓	None	1.98	3,933	
Emerging Markets C (REMCX)	EM	**29.7**	**30.0**	**25.7**	–	◒	◒	●	●	None	2.74	1,242	
Equity Growth Strategy C (RELCX)	GL	**18.0**	**14.3**	**9.5**	–	◓	◒	◓	◓	None	1.00	1,652	
Growth Strategy C (RALCX)	B	15.0	**12.0**	**8.7**	–	●	●	●	●	None	1.00	3,433	
International Securities C (RCISX)	IF	24.0	18.4	13.3	–	◒	◒	◒	◒	None	2.24	3,675	
Quantitative Equity C (RQECX)	MLC	13.2	9.9	4.8	–	◒	◒	◒	◒	None	1.98	4,042	
Real Estate Securities C (RRSCX)	RE	**33.9**	**26.1**	**22.7**	–	◒	◒	◒	◒	None	2.09	2,178	
Special Growth C (RSPCX)	SCC	14.9	11.3	9.6	–	◒	◒	○	◓	None	2.28	1,234	
→ **Schwab** 1000 Index Inv. (SNXFX)	MLC	15.7	**11.4**	**6.5**	**8.3**	◓	◒	◒	◒	None	0.50	6,964	800-308-1486
Dividend Equity Inv. (SWDIX)	EI	**19.1**	**13.9**	–	–	◓	◒	●	–	None	1.07	1,428	
Hedged Equity Inv. (SWHIX)	LSE	9.9	–	–	–	◓	–	–	–	None	1.99	1,175	
International Index Inv. (SWINX)	IF	25.1	19.4	14.1	7.5	◓	◒	●	●	None	0.68	1,700	
Laudus International MarketMasters Inv. (SWOIX)	IF	24.6	**22.2**	**16.1**	**12.7**	◓	●	●	●	None	1.65	2,044	877-252-8387
Laudus Rosenberg International Small Cap Inv. (RISIX)[2]	IF	**27.6**	**28.0**	**27.4**	**12.4**	◓	●	●	◒	None	1.59	1,671	800-447-3332
Premier Equity Inv. (SWPNX)[2]	MLV	14.4	–	–	–	○	–	–	–	None	0.78	1,575	800-308-1486
S&P 500 Index Inv. (SWPIX)	SP	16.0	10.9	5.8	7.9	●	●	●	●	None	0.37	8,119	
Small-Cap Index Inv. (SWSMX)	SCC	17.6	13.0	9.6	9.6	◓	◒	◒	◓	None	0.58	1,696	
Total Stock Market Index Inv. (SWTIX)	MLC	16.0	**11.9**	**7.3**	–	●	◒	◓	◓	None	0.54	1,401	
→ **Scout** UMB Scout International (UMBWX)	IF	21.6	20.4	14.1	**11.3**	◒	●	◓	◒	None	1.03	2,950	800-996-2862
→ **Selected** American (SLASX)	LCC	15.9	**13.0**	**9.1**	**11.0**	◓	●	●	●	None	0.90	11,596	800-243-1575
→ **Seligman** Communications & Information A (SLMCX)	TL	22.3	13.7	5.5	9.1	●	◒	◒	○	4.75	1.53	3,815	800-221-2783
→ **Sentinel** Common Stock A (SENCX)	LCC	**16.7**	**11.6**	**8.0**	8.0	●	●	◓	●	5.00	1.05	1,177	800-282-3863
Small Company A (SAGWX)	SCC	16.5	13.6	**11.5**	**14.3**	◓	◒	◒	◒	5.00	1.12	1,538	
→ **Sound Shore** (SSHFX)	MLV	**17.1**	**13.6**	**10.0**	**10.5**	◒	◒	◒	◒	None	0.98	2,844	800-551-1980
→ **SSgA** Emerging Markets (SSEMX)	EM	**33.3**	**32.8**	**27.8**	11.6	◓	●	◓	◓	None	1.25	2,329	800-997-7327
International Stock Selection (SSAIX)	IF	**30.5**	**23.7**	**18.2**	7.6	●	●	●	●	None	1.00	1,419	
S&P 500 Index (SVSPX)	SP	16.2	11.0	5.9	8.1	●	●	●	●	None	0.16	2,495	
→ **State Farm** Balanced (STFBX)	B	13.4	8.4	**6.6**	6.9	●	◒	◒	◒	None	0.14	1,234	800-447-0740
Growth (STFGX)	LCC	**18.0**	11.1	**7.0**	8.2	●	◓	◓	◒	None	0.12	3,445	
LifePath 2020 Legacy A (SAWAX)	B	12.9	9.6	–	–	◓	◓	●	–	3.00	1.22	1,415	
→ **STI Classic** Capital Appreciation A (STCIX)	LCC	10.6	5.3	0.9	5.8	○	○	○	○	5.75	1.50	1,329	888-784-3863
Large Cap Relative Value C (CVIBX)	LCV	**16.6**	**13.3**	**7.5**	**8.3**	◒	●	◓	◒	1.00[3]	1.89	1,683	
Small Cap Growth Stock A (SCGIX)	SCG	1.9	9.7	**7.7**	–	○	◓	●	◒	5.75	1.51	1,255	
→ **T. Rowe Price** Balanced (RPBAX)	B	14.0	10.3	**8.1**	8.2	●	◓	◓	◓	None	0.69	2,890	800-638-5660
Blue Chip Growth (TRBCX)	LCG	10.1	8.9	4.5	7.4	●	◓	◓	◓	None	0.85	9,650	
Capital Appreciation (PRWCX)	B	14.8	**12.6**	**12.2**	**12.2**	●	●	●	●	None	0.76	9,224	
Emerging Europe & Mediterranean (TREMX)	EM	**34.2**	**41.3**	**37.5**	–	◓	●	●	●	None	1.32	1,497	

NOTES: Peer-group abbreviations on page 78. Boldface figures indicate fund beat benchmark index. [1]Through Dec. 28. [2]Closed to new investors. [3]Maximum deferred sales charge. [4]Closed to new investors, other classes open. A dash indicates not available or not applicable. **PEER-GROUP RANK:** ● = fund finished in top quartile of peer group; ◓ = second quartile; ◒ = third quartile; ○ = bottom quartile. **SOURCE:** Lipper, New York; 877-955-4773.

COMPANY/FUND NAME (TICKER)	PEER GROUP	% 2006 RETURN[1]	% ANNUALIZED RETURN[1] THREE YEARS	FIVE YEARS	10 YEARS	PEER-GROUP RANK '06	'05	'04	'03	% SALES LOAD	EXPENSES (% OF ASSETS)	TOTAL ASSETS ($ MIL.)	TELEPHONE
T. Rowe Price Emerging Markets Stock (PRMSX)	EM	31.7	**33.4**	**28.0**	12.3	◒	●	●	◒	None	1.27	2,480	800-638-5660
Equity Income (PRFDX)	EI	**19.6**	**13.4**	**9.4**	**10.1**	◓	◒	●	◓	None	0.71	23,199	
Equity Index 500 (PREIX)	SP	15.9	10.8	5.8	8.0	●	●	●	●	None	0.35	7,463	
Growth & Income (PRGIX)	MLC	14.8	9.8	4.9	6.6	◓	○	◒	◒	None	0.76	1,671	
Growth Stock (PRGFX)	LCG	14.4	10.9	**6.2**	**9.2**	●	◓	●	●	None	0.72	18,290	
Health Sciences (PRHSX)	H	9.9	13.5	7.4	**12.7**	●	●	●	●	None	0.91	1,702	
International Discovery (PRIDX)	IF	**27.0**	**27.2**	**23.2**	**16.5**	◓	◓	◓	●	None	1.28	2,212	
International Growth & Income (TRIGX)	IF	**29.8**	**23.5**	**18.2**	–	●	◓	◓	◓	None	0.99	2,325	
International Stock (PRITX)	IF	18.8	17.2	11.3	6.0	○	●	◓	◓	None	0.89	6,697	
Latin America (PRLAX)	LT	**51.0**	**50.3**	**34.0**	**18.0**	●	●	◓	◒	None	1.29	2,023	
Media & Telecommunications (PRMTX)	TL	**28.5**	**24.7**	**16.6**	–	●	●	●	●	None	0.92	1,428	
Mid-Cap Growth (RPMGX)[2]	MCG	7.3	**13.7**	**9.7**	**11.9**	◒	●	●	◓	None	0.80	15,570	
Mid-Cap Value (TRMCX)[2]	MCC	**20.8**	**16.7**	**15.1**	**14.3**	●	◒	●	◓	None	0.81	7,318	
New Asia (PRASX)	XJ	**35.2**	27.5	23.8	7.1	◓	◓	●	●	None	1.05	2,110	
New Era (PRNEX)	NR	**17.6**	**26.1**	**19.9**	**13.2**	◓	○	◓	◓	None	0.68	4,572	
New Horizons (PRNHX)	MCG	8.0	12.9	9.3	8.9	◒	◓	●	●	None	0.84	7,025	
Personal Strategy Balanced (TRPBX)	B	12.1	10.7	**9.1**	**8.7**	◓	◓	●	◓	None	0.86	1,381	
Real Estate (TRREX)	RE	**36.4**	**28.8**	**25.0**	–	●	◓	●	◒	None	0.85	2,337	
Retirement 2010 (TRRAX)	B	13.1	10.5	–	–	●	●	●	●	None	0.65	2,678	
Retirement 2015 (TRRGX)	B	14.0	–	–	–	●	●	–	–	None	0.69	1,790	
Retirement 2020 (TRRBX)	B	14.9	**12.0**	–	–	●	●	●	●	None	0.72	3,620	
Retirement 2025 (TRRHX)	B	15.7	–	–	–	◓	●	–	–	None	0.74	1,533	
Retirement 2030 (TRRCX)	B	**16.5**	**13.4**	–	–	●	●	●	●	None	0.76	2,384	
Science & Technology (PRSCX)	ST	7.3	4.2	–0.1	1.0	◓	◒	◒	◒	None	0.99	3,402	
Small-Cap Stock (OTCFX)[2]	SCC	13.7	13.9	10.6	**11.6**	◒	◓	◒	○	None	0.92	7,710	
Small-Cap Value (PRSVX)[2]	SCC	17.1	**17.2**	**16.5**	**13.6**	◓	◓	●	○	None	0.84	6,257	
Spectrum Growth (PRSGX)	MLC	**16.7**	**14.3**	**9.6**	**9.0**	●	●	●	●	None	0.86	3,414	
Value (TRVLX)	MLC	**20.2**	**14.4**	**9.8**	**11.0**	●	◒	●	◓	None	0.90	6,148	
TCW Dividend Focused N (TGIGX)	EI	**18.6**	**13.4**	**11.4**	**11.6**	◒	○	●	●	None	1.26	1,439	800-386-3829
Select Equities I (TGCEX)	LCG	–4.6	4.1	2.9	7.7	○	◒	●	●	None	0.90	3,666	
Third Avenue International Value (TAVIX)[2]	IF	17.1	**21.5**	–	–	○	○	◓	◓	None	1.53	2,380	800-443-1021
Real Estate Value (TAREX)	RE	**29.6**	**24.1**	**22.1**	–	○	◓	○	◓	None	1.14	3,276	
Small-Cap Value (TASCX)[2]	SCC	12.0	**15.0**	**13.3**	–	○	●	◓	◒	None	1.14	2,446	
Value (TAVFX)	MLC	14.5	**19.5**	**14.5**	**13.6**	◓	●	●	●	None	1.10	9,617	
Thornburg Core Growth A (THCGX)	MLG	**18.6**	**19.2**	**13.9**	–	●	●	●	●	4.50	1.57	1,388	800-847-0200
International Value A (TGVAX)	IF	**25.5**	**20.9**	**17.1**	–	◓	●	◓	●	4.50	1.44	9,260	
Investment Income Builder A (TIBAX)	B	**24.5**	**17.1**	–	–	●	●	●	●	4.50	1.46	2,109	
Value A (TVAFX)	MLC	**22.3**	**13.5**	**8.0**	**12.0**	●	●	○	●	4.50	1.40	3,269	
Thrivent Large Cap Stock A (AALGX)	LCC	12.1	8.9	3.4	7.7	◒	◓	◒	○	5.50	1.01	3,437	800-847-4836
Torray (TORYX)	LCC	14.3	8.1	6.3	9.2	◓	○	◒	◒	None	1.07	1,197	800-443-3036
Transamerica IDEX Asset Allocation - Growth C (IAALX)	MLC	15.0	**12.5**	–	–	◓	●	◓	◓	1.00[3]	0.93	1,748	888-233-4339
Asset Allocation - Moderate C (IMOLX)	B	10.9	9.3	–	–	◓	●	●	●	1.00[3]	0.89	1,772	
Asset Allocation - Moderate Growth C (IMLLX)	B	12.9	10.7	–	–	◓	●	●	●	1.00[3]	0.90	3,119	
Equity A (ITQAX)	MLG	8.8	**13.4**	**7.2**	–	◓	●	◓	○	5.50	1.36	1,549	
Tweedy Browne Global Value (TBGVX)[2]	GL	20.1	18.9	13.0	**12.9**	○	●	◓	○	None	1.38	7,993	800-432-4789
U.S. Global Investors E. European (EUROX)	EM	**32.2**	**42.5**	**44.1**	–	◓	●	●	●	None	1.97	1,419	800-873-8637
Global Resources (PSPFX)	NR	22.3	**34.4**	**41.1**	**13.9**	●	◓	◓	●	None	0.95	1,253	
U.S. Trust Value & Restructuring (UMBIX)	MLC	15.3	**15.4**	**11.4**	**13.9**	◓	●	●	●	None	1.05	7,707	800-446-1012
UBS Dynamic Alpha A (BNAAX)	GX	7.6	–	–	–	○	–	–	–	5.50	1.21	3,117	800-647-1568
Global Allocation A (BNGLX)	GX	13.8	11.8	11.4	–	◓	○	◓	◒	5.50	1.14	4,474	
PACE International Equity P (PCIEX)	IF	**28.3**	**21.0**	14.7	7.8	●	◓	●	●	1.50	1.17	1,191	
PACE Large Co Growth Equity P (PCLCX)	LCG	9.8	8.5	2.4	4.4	●	◓	◓	◓	1.50	0.95	1,195	
PACE Large Co Value Equity P (PCLVX)	LCV	**19.6**	**14.9**	**9.6**	8.2	◓	●	◓	◒	1.50	0.86	1,562	
USAA Cornerstone Strategy (USCRX)	GX	14.0	10.7	8.8	6.7	◓	○	○	○	None	1.16	1,892	800-531-8181
Growth & Income (USGRX)	MLG	10.2	9.7	5.7	7.0	◓	◒	◒	○	None	1.00	1,486	
Income Stock (USISX)	EI	**19.6**	**12.9**	**7.6**	8.0	◓	◓	◒	◓	None	0.81	2,318	
International (USIFX)	IF	**27.2**	20.0	**15.6**	**8.7**	●	◒	●	◓	None	1.19	1,213	
S&P 500 Index Member (USSPX)	SP	16.1	10.9	5.8	8.0	●	●	●	●	None	0.19	2,416	
Van Kampen Comstock A (ACSTX)	LCV	**16.4**	**13.1**	**8.5**	**12.0**	◒	◒	●	●	5.75	0.80	19,429	800-847-2424
Enterprise A (ACENX)	LCG	7.0	6.5	1.0	3.4	◓	◓	○	◒	5.75	1.09	1,326	
Equity & Income A (ACEIX)	B	12.9	**11.2**	**8.8**	**11.0**	◓	●	●	◓	5.75	0.78	18,002	
Global Franchise A (VGFAX)[2]	GL	21.4	16.0	**15.8**	–	●	◓	◒	○	5.75	1.22	2,391	
Growth & Income A (ACGIX)	LCV	**16.6**	**14.1**	**9.7**	**11.3**	◒	●	◓	◓	5.75	0.80	10,211	
Mid Cap Growth A (VGRAX)	MCG	9.6	**16.5**	**8.3**	**11.2**	◓	●	●	○	5.75	1.32	1,225	
Pace A (ACPAX)	LCG	3.9	9.2	2.9	4.3	◓	●	◓	○	5.75	0.96	1,472	
Strategic Growth A (ACEGX)	LCG	3.1	6.4	0.1	7.3	○	◓	◓	◓	5.75	1.09	4,245	
Vanguard 500 Index Inv. (VFINX)	SP	16.2	11.0	6.0	8.2	●	●	●	●	None	0.18	117,740	800-851-4999
Asset Allocation Inv. (VAAPX)	FX	**16.5**	11.2	**7.7**	**9.1**	●	◒	◓	◓	None	0.39	12,551	
Balanced Index Inv. (VBINX)	B	11.3	8.7	**6.6**	7.9	◒	◒	◓	◒	None	0.19	8,856	
Capital Opportunity Inv. (VHCOX)[2]	MLC	**17.4**	**16.1**	**10.8**	**15.8**	●	◓	●	●	None	0.50	9,536	
Developed Markets Index Inv. (VDMIX)	IF	**26.6**	20.8	**15.3**	–	◓	◒	●	◓	None	0.29	2,746	
Dividend Growth Inv. (VDIGX)	EI	**20.1**	**12.3**	**6.7**	6.9	◓	◒	◒	●	None	0.38	1,184	
Emerging Markets Stock Index ETF (VWO)	EM	29.6	–	–	–	–	–	–	–	None	0.30	11,885	
Emerging Markets Stock Index Inv. (VEIEX)	EM	29.5	30.2	26.2	9.4	◒	◒	●	●	None	0.45	11,885	
Energy Inv. (VGENX)	NR	**20.3**	**34.0**	**26.0**	**16.5**	●	◒	●	◓	None	0.28	10,417	

NOTES: Peer-group abbreviations on page 78. Boldface figures indicate fund beat benchmark index. [1]Through Dec. 28. [2]Closed to new investors. [3]Maximum deferred sales charge. [4]Closed to new investors, other classes open. A dash indicates not available or not applicable. **PEER-GROUP RANK:** ● = fund finished in top quartile of peer group; ◓ = second quartile; ◒ = third quartile; ○ = bottom quartile. **SOURCE:** Lipper, New York; 877-955-4773.

COMPANY/FUND NAME (TICKER)	PEER GROUP	% 2006 RETURN[1]	% ANNUALIZED RETURN[1] THREE YEARS	FIVE YEARS	10 YEARS	PEER-GROUP RANK '06	'05	'04	'03	% SALES LOAD	EXPENSES (% OF ASSETS)	TOTAL ASSETS ($ MIL.)	TELEPHONE
→ **Vanguard** Equity Income Inv. (VEIPX)	EI	**21.2**	**13.5**	**8.6**	**9.8**	●	◒	◒	◒	None	0.31	5,162	800-851-4999
European Stock Index Inv. (VEURX)	EU	**33.8**	**21.7**	15.2	**10.9**	◒	◒	◒	◒	None	0.27	24,658	
Explorer Inv. (VEXPX)[2]	SCG	10.5	11.6	8.3	**10.5**	◒	●	◒	◒	None	0.50	12,015	
Extended Market Index Inv. (VEXMX)	MCC	15.0	**15.0**	**12.1**	**9.9**	◒	◒	●	●	None	0.25	12,546	
Global Equity Inv. (VHGEX)	GL	24.1	19.4	**18.0**	**12.5**	◒	◒	●	●	None	0.79	4,747	
Growth & Income Inv. (VQNPX)	LCC	14.6	11.1	**6.4**	**8.7**	◒	◒	●	●	None	0.38	7,731	
Growth Index Inv. (VIGRX)	LCG	9.5	7.8	3.1	7.0	●	◒	◒	◒	None	0.22	12,515	
Health Care Inv. (VGHCX)[2]	H	11.3	**12.4**	**9.6**	**16.4**	●	●	◒	◒	None	0.25	26,834	
International Explorer (VINEX)[2]	IF	**30.3**	**28.2**	**23.1**	**16.0**	●	◒	●	●	None	0.50	2,790	
International Growth Inv. (VWIGX)	IF	26.1	20.7	14.0	**8.2**	●	●	●	●	None	0.54	15,303	
International Value Inv. (VTRIX)	IF	**27.6**	**22.7**	**17.5**	**9.5**	◒	●	◒	●	None	0.48	7,342	
LifeStrategy Conservative Growth Inv. (VSCGX)	B	10.9	8.0	**6.7**	7.5	◒	◒	◒	◒	None	0.25	5,512	
LifeStrategy Growth Inv. (VASGX)	MLC	**16.6**	**12.4**	**8.6**	**8.5**	●	◒	◒	◒	None	0.26	8,664	
LifeStrategy Income Inv. (VASIX)	B	8.0	5.8	5.6	6.9	◒	◒	◒	◒	None	0.25	1,688	
LifeStrategy Moderate Growth Inv. (VSMGX)	B	13.6	10.3	**7.8**	8.1	●	◒	◒	◒	None	0.25	9,711	
Mid-Cap Index ETF (VO)	MCC	14.2	–	–	–	◒	●	–	–	None	0.13	18,008	
Mid-Cap Index Inv. (VIMSX)	MCC	14.1	**16.5**	**12.3**	–	◒	●	●	◒	None	0.22	18,008	
Morgan Growth Inv. (VMRGX)	MLG	11.7	10.9	**6.5**	**8.3**	●	◒	◒	◒	None	0.39	7,406	
Pacific Stock Index Inv. (VPACX)	PC	12.3	18.9	**15.9**	3.0	○	◒	◒	○	None	0.32	11,770	
Precious Metals & Mining Inv. (VGPMX)[2]	AU	**35.0**	**29.3**	**35.1**	**14.1**	◒	●	●	◒	None	0.39	3,457	
PrimeCap Core Inv. (VPCCX)	MLC	12.8	–	–	–	◒	●	–	–	None	0.72	2,536	
PrimeCap Inv. (VPMCX)[2]	MLC	12.9	**13.5**	**8.5**	**12.6**	◒	◒	●	●	None	0.45	31,811	
REIT Index ETF (VNQ)	RE	**34.8**	–	–	–	◒	◒	–	–	None	0.11	11,592	
REIT Index Inv. (VGSIX)	RE	**34.7**	**25.4**	**22.7**	**14.3**	◒	◒	◒	◒	None	0.21	11,592	
Selected Value Inv. (VASVX)	MCV	**19.6**	**17.5**	**14.3**	**10.4**	●	◒	◒	◒	None	0.49	4,549	
Small-Cap Growth Index Inv. (VISGX)	SCG	12.8	13.0	11.3	–	◒	●	●	◒	None	0.23	2,949	
Small-Cap Index ETF (VB)	SCC	16.7	–	–	–	◒	◒	–	–	None	0.10	13,796	
Small-Cap Index Inv. (NAESX)	SCC	16.5	**14.8**	**11.6**	**10.2**	◒	◒	◒	◒	None	0.23	13,796	
Small-Cap Value Index Inv. (VISVX)	SCC	**20.2**	**16.6**	**12.9**	–	●	◒	●	○	None	0.23	5,045	
STAR Inv. (VGSTX)	B	11.9	10.6	**8.2**	**9.1**	◒	●	●	◒	None	0.36	13,789	
Strategic Equity Inv. (VSEQX)[2]	MCC	14.3	**15.2**	**13.6**	**12.5**	◒	◒	●	●	None	0.40	7,207	
Target Retirement 2015 Inv. (VTXVX)	B	11.8	8.8	–	–	◒	◒	●	–	None	0.20	4,162	
Target Retirement 2025 Inv. (VTTVX)	B	13.7	10.1	–	–	◒	○	◒	–	None	0.20	4,423	
Target Retirement 2035 Inv. (VTTHX)	B	15.7	**11.7**	–	–	◒	○	●	–	None	0.20	2,912	
Target Retirement 2045 Inv. (VTIVX)	B	**16.5**	**12.6**	–	–	◒	◒	●	–	None	0.20	1,365	
Tax-Managed Capital Appreciation Inv. (VMCAX)	MLC	14.9	**11.9**	**6.7**	**8.6**	◒	◒	◒	◒	None	0.14	3,949	
Tax-Managed Growth & Income Inv. (VTGIX)	LCC	16.3	11.1	6.1	**8.3**	●	◒	●	◒	None	0.14	3,057	
Tax-Managed International Inv. (VTMGX)	IF	**26.6**	**20.9**	**15.4**	–	◒	◒	●	◒	None	0.20	1,828	
Tax-Managed Small-Cap Inv. (VTMSX)	SCC	15.2	**15.3**	**12.4**	–	◒	◒	●	◒	None	0.14	1,876	
Total International Stock Index Inv. (VGTSX)	IF	**26.9**	**21.9**	**16.4**	**8.0**	◒	◒	●	●	None	0.31	19,143	
Total Stock Market Index ETF (VTI)	MLC	16.2	**12.1**	**7.5**	–	●	◒	◒	◒	None	0.07	83,631	
Total Stock Market Index Inv. (VTSMX)	MLC	16.1	**12.0**	**7.4**	**8.5**	●	◒	◒	◒	None	0.19	83,631	
U.S. Growth Inv. (VWUSX)	LCG	2.1	7.2	–0.5	1.3	○	●	◒	◒	None	0.57	5,939	
U.S. Value Inv. (VUVLX)	MLV	14.6	**12.1**	**8.8**	–	○	◒	◒	◒	None	0.39	1,490	
Value Index Inv. (VIVAX)	LCV	**22.8**	**15.5**	**9.6**	**9.3**	●	◒	●	●	None	0.21	10,391	
Wellesley Income Inv. (VWINX)	B	11.5	7.6	**7.4**	**8.6**	●	◒	●	◒	None	0.24	12,597	
Wellington Inv. (VWELX)	B	15.3	**11.4**	**9.0**	**9.7**	●	●	●	◒	None	0.28	45,169	
Windsor II Inv. (VWNFX)	LCV	**18.9**	**15.2**	**10.2**	**10.1**	◒	◒	●	◒	None	0.35	47,436	
Windsor Inv. (VWNDX)	MLV	**20.1**	**13.2**	**8.8**	**9.8**	◒	◒	◒	●	None	0.37	23,751	
→ **Victory** Diversified Stock A (SRVEX)	LCC	14.3	**11.8**	**7.5**	**10.7**	◒	●	◒	●	5.75	1.13	3,916	800-539-3863
→ **Waddell & Reed** Advisors Accumulative A (UNACX)	MLC	13.4	10.9	4.5	**9.5**	◒	●	○	○	5.75	1.14	2,035	888-923-3355
Advisors Core Investment A (UNCMX)	LCC	**17.5**	**12.4**	5.1	8.0	●	●	◒	○	5.75	1.09	4,238	
Advisors Science & Technology A (UNSCX)	ST	8.2	14.3	7.3	13.8	◒	●	●	○	5.75	1.35	2,557	
Advisors Vanguard A (UNVGX)	LCG	3.2	8.4	5.2	8.0	○	●	◒	●	5.75	1.19	1,791	
Asset Strategy A (UNASX)	FX	**20.0**	**19.1**	**14.0**	**12.0**	●	●	●	○	5.75	1.24	1,871	
New Concepts A (UNECX)	MCG	9.3	**13.6**	**7.1**	**10.0**	◒	◒	●	◒	5.75	1.45	1,383	
→ **Wallace** Partners Value (WPVLX)	MLC	**23.0**	**12.0**	**7.6**	**14.4**	●	○	●	○	None	1.14	1,988	800-304-9745
Value (WVALX)	MLC	**22.3**	**11.8**	**8.1**	**14.4**	●	○	●	◒	None	1.12	3,086	
→ **Wasatch** Core Growth (WGROX)[2]	SCC	7.3	10.7	7.5	**14.9**	○	○	◒	◒	None	1.21	1,374	800-551-1700
Small Cap Growth (WAAEX)[2]	SCG	9.2	9.5	6.4	**14.3**	◒	◒	◒	○	None	1.18	1,269	
→ **Weitz** Hickory (WEHIX)	MCC	**23.30**	**15.47**	**9.59**	**12.34**	●	○	●	●	None	1.21	372	800-304-9745
→ **Wells Fargo Advantage** Diversified Equity A (NVDAX)	MLC	14.4	10.9	6.1	7.8	◒	◒	◒	◒	5.75	1.26	1,372	800-222-8222
Growth Balanced B (NVGRX)[4]	B	11.6	7.9	4.7	–	◒	◒	◒	◒	5.00[3]	1.96	2,161	
Growth Inv. (SGROX)	MLG	8.2	10.4	5.1	7.3	◒	◒	◒	○	None	1.47	1,382	
Index Inv. (WFVEX)	SP	15.8	–	–	–	◒	–	–	–	None	0.45	1,931	
Large Company Growth A (NVLAX)	LCG	2.3	4.1	0.0	–	○	◒	○	◒	5.75	1.21	2,297	
Opportunity Inv. (SOPFX)	MLC	12.3	**12.8**	**7.3**	**10.8**	◒	◒	●	●	None	1.37	2,090	
Small Cap Value Z (SSMVX)[4]	SCC	13.4	**16.8**	**17.0**	–	◒	●	◒	●	None	1.34	3,625	
→ **Westchester** Merger (MERFX)	SE	10.9	4.8	3.8	7.2	●	○	◒	◒	None	1.36	1,541	800-343-8959
→ **William Blair** International Growth N (WBIGX)[2]	IF	22.9	**22.0**	**16.7**	**15.1**	◒	●	◒	●	None	1.42	6,047	800-635-2886
Small Cap Growth N (WBSNX)	SCG	15.0	**14.4**	**14.7**	–	●	○	●	●	None	1.49	1,271	
→ **WM** Balanced A (SABPX)	B	10.6	8.6	**6.9**	**8.5**	◒	◒	◒	◒	5.50	0.94	4,748	800-742-7272
Conservative Growth A (SAGPX)	LCC	12.3	10.2	**7.2**	**9.1**	◒	◒	●	◒	5.50	0.97	3,890	
Equity Income A (CMPBX)	EI	**18.2**	**15.8**	**11.6**	**11.0**	◒	●	●	●	5.50	0.90	2,160	
Strategic Growth A (SACAX)	MLG	13.2	11.1	**7.1**	**9.6**	●	◒	◒	◒	5.50	1.02	2,384	

NOTES: Peer-group abbreviations on page 78. Boldface figures indicate fund beat benchmark index. [1]Through Dec. 28. [2]Closed to new investors. [3]Maximum deferred sales charge. [4]Closed to new investors, other classes open. A dash indicates not available or not applicable. **PEER-GROUP RANK:** ● = fund finished in top quartile of peer group; ◒ = second quartile; ◒ = third quartile; ○ = bottom quartile. **SOURCE:** Lipper, New York; 877-955-4773.

BOND FUNDS

Below are the latest results for 275 of the most important bond funds, including how the funds have performed against their peers (see page 79 for peer-group abbreviations). Each fund is available for a minimum investment of $25,000 or less, has assets of at least $780 million (as of Nov. 30) and has been operating since at least Jan. 1, 2006.

- **YIELD** The average over the past 12 months
- **EXPENSES** The percentage of fund assets that go toward annual operating expenses, including management fees, 12b-1 fees and other asset-based costs

HOW TO TELL WHERE A FUND RANKED
The circles indicate the quartile in which the fund finished among competitors with similar investment styles.

● TOP QUARTILE ◓ SECOND QUARTILE ◒ THIRD QUARTILE ○ BOTTOM QUARTILE

COMPANY/FUND NAME (TICKER)	PEER GROUP	% 2006 RETURN[1]	% ANNUALIZED RETURN[1] THREE YEARS	FIVE YEARS	10 YEARS	PEER-GROUP RANK '06	'05	'04	'03	% YIELD	% SALES LOAD	EXPENSES (% OF ASSETS)	TOTAL ASSETS ($ MIL.)	TELEPHONE
AIM High Yield A (AMHYX)	HY	11.0	8.1	8.1	1.7	●	◓	●	●	6.41	4.75	1.15	876	800-959-4246
AllianceBernstein Bernstein California Muni (SNCAX)	CAT	3.3	2.5	3.4	4.1	◒	◓	◓	●	3.17	None	0.65	1,304	212-486-5800
Bernstein Diversified Municipal (SNDPX)	IMD	3.2	2.4	3.6	4.3	◒	◓	◓	◓	3.25	None	0.61	3,998	
Bernstein Intermediate Duration (SNIDX)	IID	4.5	3.6	4.7	5.3	●	●	◓	◓	4.62	None	0.60	4,300	
Bernstein New York Municipal (SNNYX)	NYT	3.2	2.5	3.7	4.3	◓	●	◓	◒	3.35	None	0.63	1,623	
Global Government Income Trust A (ANAGX)	GLI	6.5	7.7	9.8	9.6	●	●	◒	◓	5.59	4.25	1.05	1,473	800-221-5672
American Century Ginnie Mae Inv. (BGNMX)	GNM	4.0	3.3	4.1	5.4	●	●	◓	◓	4.74	None	0.57	1,349	800-345-2021
Inflation-Adjusted Bond Inv. (ACITX)	IUT	0.1	3.4	6.5	–	●	●	◓	◒	3.97	None	0.49	1,245	
International Bond Inv. (BEGBX)	INI	7.9	4.0	10.7	5.0	●	◓	●	◓	2.87	None	0.83	1,477	
Short-Term Government Inv. (TWUSX)	SUS	4.0	2.1	2.6	4.1	●	◓	◓	◒	4.38	None	0.57	938	
American Funds American H/I Muni Bond A (AMHIX)	HM	6.3	5.6	5.9	5.5	◒	○	◒	◓	3.78	3.75	0.64	2,069	800-421-0180
American High-Income Trust A (AHITX)	HY	11.9	8.4	9.6	7.3	●	●	◓	●	6.78	3.75	0.65	11,996	
Bond Fund of America A (ABNDX)	A	5.6	4.5	6.3	6.1	●	◓	●	●	4.80	3.75	0.62	27,615	
Capital World Bond A (CWBFX)	GLI	7.5	5.3	10.1	5.9	●	◓	●	●	3.80	3.75	0.93	3,728	
Intermediate Bond Fund of America A (AIBAX)	SII	4.1	2.6	3.5	4.9	●	●	◒	◒	4.45	2.50	0.68	5,031	
Limited Term Tax-Ex. Bond Fund of America A (LTEBX)	IMD	3.6	2.6	4.0	4.5	◓	◓	◓	◓	3.17	2.50	0.63	994	
Tax-Exempt Bond Fund of America A (AFTEX)	GM	4.7	4.1	5.2	5.4	◓	◓	◓	◓	3.39	3.75	0.55	5,600	
Tax-Exempt Fund of California A (TAFTX)	CA	4.9	4.4	5.3	5.4	◓	◓	◓	●	3.42	3.75	0.60	1,465	
U.S. Government Securities A (AMUSX)	GUS	3.1	2.7	3.9	5.2	◓	●	◓	●	4.21	3.75	0.74	2,381	
BlackRock Bond Inv. A (MDHQX)	IID	4.0	3.2	4.8	5.2	◓	◓	◓	◓	4.79	4.00	0.85	2,483	800-882-0052
Government Income Inv. A (CCGAX)	GUS	3.2	3.0	5.2	6.3	◓	◓	●	●	3.78	4.00	0.86	1,847	
High Income A (MDHIX)	HY	12.3	8.3	10.3	5.2	●	○	●	●	6.88	4.00	0.85	1,467	
High Yield Bond Inv. A (BHYAX)	HY	11.0	8.9	10.6	–	●	●	●	◓	6.53	4.00	0.96	1,482	
Intermediate Bond II Inv. A (CCIAX)	SII	3.3	2.4	4.2	5.3	◒	◓	●	●	4.13	4.00	0.86	921	
Low Duration Bond Inv. A (BLDAX)	SID	3.6	2.0	2.6	4.3	◒	◒	◒	○	3.67	3.00	0.81	1,244	
Municipal Insured A (MDMIX)	MDI	4.4	4.1	5.4	5.1	●	●	●	◓	3.30	4.25	0.71	937	
National Municipal A (MDNLX)	GM	5.2	5.0	6.1	5.5	●	●	●	●	3.52	4.25	0.97	1,548	
Total Return II Inv. A (BCBAX)	IID	3.8	3.3	4.7	5.7	◒	●	◓	◒	4.05	4.00	0.81	2,995	
Calvert Income A (CFICX)	BBB	4.8	4.5	6.5	7.9	◓	●	◓	●	4.45	3.75	1.19	4,921	800-368-2748
Columbia Conservative High Yield Z (CMHYX)	HY	6.1	5.4	5.7	6.1	○	◓	○	○	6.38	None	0.71	1,035	800-322-2847
Core Bond Z (GHQTX)	A	3.9	3.1	4.8	5.8	◓	◓	◒	○	4.85	None	0.66	1,774	
High Income Z (NYPAX)	HY	12.0	8.7	11.5	–	●	◒	●	●	6.29	None	0.84	981	
Intermediate Bond Z (SRBFX)	IID	4.6	3.9	5.5	6.4	●	●	●	●	4.95	None	0.64	2,043	
Intermediate Municipal Bond Z (SETMX)	IMD	3.8	2.8	4.2	4.8	◓	◓	◓	◓	3.59	None	0.61	2,468	
Short Term Bond Z (NSTMX)	SID	4.6	2.6	3.1	4.6	●	●	◓	◒	4.60	None	0.47	1,027	
Strategic Income A (COSIX)	MSI	6.8	6.1	9.0	6.2	◓	◒	●	●	5.08	4.75	0.99	1,650	
Tax-Exempt A (COLTX)	GM	5.5	4.7	6.0	5.5	●	●	●	●	3.47	4.75	0.82	2,597	
Total Return Bond Z (NSFIX)	IID	4.9	3.9	4.9	5.6	●	●	●	◓	4.66	None	0.54	1,936	
Delaware Diversified Income A (DPDFX)	MSI	7.9	5.5	8.3	–	●	○	●	◒	4.82	4.50	0.99	1,427	800-523-1918
Dodge & Cox Income (DODIX)	A	5.3	3.6	5.6	6.5	●	◓	◒	◓	4.78	None	0.44	11,709	800-621-3979
Dreyfus Mellon Bond Inv. (MIBDX)	IID	3.6	2.8	3.9	–	◒	◒	◒	◒	4.29	None	0.81	902	888-281-7350
Mellon National Int. Municipal Bond Inv. (NINMX)	IMD	3.9	3.1	4.4	–	●	◓	◓	–	2.95	None	0.76	851	
Municipal Bond (DRTAX)	GM	5.2	4.4	5.1	4.7	●	●	◓	◒	3.54	None	0.72	1,984	800-373-9387
New York Tax Exempt Bond (DRNYX)	NY	4.7	3.7	4.8	5.1	◓	◓	◒	○	3.23	None	0.65	1,263	
Premier California Tax Exempt Bond Z (DRCAX)[4]	CA	4.8	4.5	5.3	5.4	◓	◓	◓	●	3.32	None	0.71	1,257	
DWS Scudder DWS California Tax-Fr. Income A (KCTAX)	CA	4.4	3.8	5.2	5.2	◒	◒	○	◒	3.40	4.50	0.82	871	800-621-1048
DWS Core Fixed Income A (SFXAX)	IID	4.0	3.7	–	–	◓	●	●	◒	4.46	4.50	0.80	1,436	
DWS GNMA S (SGINX)	GNM	4.0	3.5	4.3	–	●	●	●	◓	4.91	None	0.60	2,616	800-728-3337
DWS High Income A (KHYAX)	HY	10.3	8.9	9.8	5.7	◓	●	●	◓	7.04	4.50	0.95	2,184	800-621-1048
DWS High Yield Tax Free S (SHYTX)	HM	6.0	5.5	6.4	6.2	◒	◒	○	◓	3.92	None	0.81	876	800-728-3337

NOTES: Peer-group abbreviations on page 79. Boldface figures indicate fund beat benchmark index. [1]Through Dec. 28. [2]Closed to new investors. [3]Maximum deferred sales charge. [4]Closed to new investors, other classes open. A dash indicates not available or not applicable. **PEER-GROUP RANK:** ● = fund finished in top quartile of peer group; ◓ = second quartile; ◒ = third quartile; ○ = bottom quartile. **SOURCE:** Lipper, New York; 877-955-4773.

COMPANY/FUND NAME (TICKER)	PEER GROUP	% 2006 RETURN[1]	% ANNUALIZED RETURN[1] THREE YEARS	FIVE YEARS	10 YEARS	PEER-GROUP RANK '06	'05	'04	'03	% YIELD	% SALES LOAD	EXPENSES (% OF ASSETS)	TOTAL ASSETS ($ MIL.)	TELEPHONE
→ **DWS Scudder** DWS Managed Muni Bond S (SCMBX)	GM	5.1	4.0	5.5	5.6	●	●	◓	◓	3.77	None	0.50	4,046	800-728-3337
DWS U.S. Government Securities A (KUSAX)	GNM	3.9	3.3	4.1	5.3	◓	◓	●	◓	4.35	4.50	0.81	2,378	800-621-1048
→ **Eaton Vance** Floating-Rate & High Income Adv. (EAFHX)	LP	6.9	5.3	5.2	–	●	◓	●	●	6.71	None	1.05	1,882	800-225-6265
Floating-Rate A (EVBLX)	LP	6.2	4.7	–	–	◓	●	◒	–	6.65	2.25	1.03	4,950	
High Yield Municipals A (ETHYX)	HM	10.6	7.6	8.5	6.3	●	●	○	●	3.83	4.75	0.93	1,206	
Income Fund of Boston A (EVIBX)	HY	11.2	8.6	10.5	7.4	●	●	◓	●	5.70	4.75	1.06	1,802	
National Municipals A (EANAX)	GM	10.1	8.2	8.9	7.0	●	●	●	●	3.80	4.75	0.71	4,762	
→ **Elfun** Tax-Exempt Income (ELFTX)[5]	GM	4.8	4.3	5.5	5.7	◓	●	●	◓	4.43	None	0.13	1,781	800-242-0134
→ **Evergreen** Adjustable Rate C (ESACX)	ARM	3.7	2.0	2.1	–	◒	○	◒	◓	3.38	1.00	1.44	3,074	800-343-2898
Core Bond A (ESBAX)	IID	4.2	3.4	4.9	–	◓	●	◓	◒	4.30	4.75	0.74	4,205	
International Bond A (ESIYX)	INI	3.7	3.0	–	–	◒	◓	●	–	3.31	4.75	1.10	1,105	
Municipal Bond A (EKEAX)	GM	4.9	4.4	5.6	–	●	●	●	◓	3.72	4.75	0.80	893	
Pennsylvania Municipal Bond A (EKVAX)	PA	4.1	3.4	4.6	4.8	◒	◒	◒	◒	3.84	4.75	0.67	860	
Short Intermediate Bond A (EFXAX)	SII	4.1	2.9	–	–	●	◓	●	◓	4.23	3.25	0.77	1,035	
→ **Federated** Bond A (FDBAX)	BBB	5.9	4.8	6.9	6.0	●	◓	●	●	5.39	4.50	1.05	1,038	800-341-7400
Fund for U.S. Government Securities A (FUSGX)	USM	4.6	3.6	4.5	5.4	◓	◓	◓	◓	4.89	4.50	0.86	886	
High Income Bond A (FHIIX)	HY	10.5	7.8	9.5	5.4	◓	◓	◓	◒	6.36	4.50	1.19	1,302	
Strategic Income A (STIAX)	MSI	8.7	7.0	9.5	6.6	●	◓	◓	●	5.18	4.50	1.26	1,094	
Total Return Bond SS (FTRFX)	IID	4.7	3.8	5.1	6.1	●	◓	●	◓	4.76	None	0.64	1,718	
→ **Fidelity** Advisor High Income Advantage T (FAHYX)	HY	14.5	11.4	13.7	7.6	●	●	●	●	6.07	3.50	1.05	2,808	877-208-0098
Advisor Intermediate Bond T (FTBRX)	SII	3.8	2.8	4.7	5.4	◓	◓	●	●	4.19	2.75	0.91	1,541	
Advisor Short Fixed-Income T (FASFX)	SID	4.3	2.6	3.5	4.7	●	◓	●	◓	4.57	1.50	0.81	1,314	
Advisor Strategic Income T (FSIAX)	MSI	7.3	6.5	9.4	7.4	◓	◓	◓	◓	4.86	3.50	1.05	4,570	
California Municipal Income (FCTFX)	CA	4.6	4.4	5.3	5.7	◓	◒	◓	●	3.53	None	0.44	1,617	800-343-3548
Capital & Income (FAGIX)	HY	12.7	10.2	13.1	8.2	●	●	●	●	5.88	None	0.76	7,203	
Floating Rate High Income (FFRHX)	LP	6.2	5.0	–	–	◓	◓	●	◓	6.50	None	0.82	4,614	
Ginnie Mae (FGMNX)	GNM	4.1	3.6	4.5	5.6	●	●	●	◓	4.95	None	0.45	3,373	
Government Income (FGOVX)	GUS	3.5	3.1	4.6	5.6	●	●	●	●	4.35	None	0.44	5,952	
High Income (SPHIX)	HY	10.4	7.9	10.2	5.8	◓	●	◒	◓	6.87	None	0.76	4,428	
Inflation-Protected Bond (FINPX)	IUT	0.2	3.4	–	–	●	◓	●	◓	2.55	None	0.45	1,394	
Intermediate Bond (FTHRX)	SII	4.2	3.0	4.7	5.7	●	●	●	●	4.65	None	0.46	7,766	
Intermediate Municipal Income (FLTMX)	IMD	3.9	3.4	4.9	5.2	●	●	●	●	3.49	None	0.36	2,103	
Investment Grade Bond (FBNDX)	IID	4.6	3.9	5.3	6.0	●	●	●	◓	4.78	None	0.46	10,879	
Massachusetts Municipal Income (FDMMX)	MA	4.7	4.3	5.6	5.6	●	●	●	●	3.54	None	0.43	1,854	
Mortgage Securities (FMSFX)	USM	4.8	3.9	4.9	6.0	●	●	●	●	5.02	None	0.55	1,873	
Municipal Income (FHIGX)	GM	4.7	4.4	5.9	5.9	◓	●	●	●	3.54	None	0.45	4,653	
New Markets Income (FNMIX)	EMD	11.8	11.8	15.7	12.1	◓	◓	◓	●	5.94	None	0.93	2,186	
New York Municipal Income (FTFMX)	NY	4.5	4.0	5.7	5.8	◓	◓	●	●	3.44	None	0.45	1,447	
Short-Intermediate Municipal Income (FSTFX)	SIM	2.9	1.9	3.1	3.9	◓	◓	●	◓	3.19	None	0.42	1,494	
Short-Term Bond (FSHBX)	SID	4.5	2.9	3.8	5.0	●	●	●	●	4.91	None	0.46	6,897	
Strategic Income (FSICX)	MSI	7.9	6.8	9.6	–	●	◓	◓	◓	5.34	None	0.75	4,110	
Total Bond (FTBFX)	IID	5.1	4.3	–	–	●	●	●	●	4.94	None	0.45	2,915	
Ultra-Short Bond (FUSFX)	USO	4.8	3.0	–	–	●	●	◓	◓	5.22	None	0.45	924	
→ **First American** Core Bond A (FAFIX)	A	3.6	3.1	4.3	5.3	◓	●	◒	◓	4.21	4.25	0.95	1,838	800-677-3863
Intermediate Term Bond A (FAIIX)	SII	3.6	2.7	4.0	5.2	◓	●	●	◓	4.09	2.25	0.75	882	
→ **FPA** New Income (FPNIX)	A	4.8	3.0	4.4	5.9	●	◒	○	●	5.21	3.50	0.60	1,850	800-982-4372
→ **Franklin** Arizona Tax-Free Income A (FTAZX)	AZ	5.0	4.8	5.7	5.1	●	●	●	●	3.32	4.25	0.63	997	800-342-5236
California High Yield Municipal A (FCAMX)	CA	6.3	6.7	6.5	6.1	●	●	●	●	3.84	4.25	0.62	1,497	
California Insured Tax-Free Income A (FRCIX)	CAI	4.6	4.5	5.3	5.4	●	●	●	●	3.27	4.25	0.61	2,022	
California Tax-Free Income A (FKTFX)	CA	5.4	5.3	5.5	5.6	●	●	●	◓	3.52	4.25	0.57	13,814	
Federal Tax-Free Income A (FKTIX)	GM	5.1	4.9	5.6	5.4	●	●	●	●	3.39	4.25	0.62	7,326	
Floating Rate Daily Access A (FAFRX)	LP	6.0	4.6	4.5	–	◓	◓	◒	◓	6.27	2.25	0.89	2,194	
Florida Tax-Free Income A (FRFLX)	FL	4.7	4.4	5.5	5.4	◓	◓	●	●	3.38	4.25	0.62	1,717	
High Income A (AGEFX)	HY	9.2	8.3	10.6	6.2	◒	●	●	●	6.62	4.25	0.75	2,820	
High Yield Tax-Free Income A (FRHIX)	HM	7.4	6.6	6.6	5.6	◓	◒	●	●	3.83	4.25	0.62	6,263	
Insured Tax-Free Income A (FTFIX)	MDI	4.4	4.1	5.3	5.3	●	●	●	●	3.27	4.25	0.64	2,030	
Michigan Insured Tax-Free Income A (FTTMX)	MI	4.2	3.9	5.2	5.4	◓	●	◓	●	3.22	4.25	0.64	1,436	
New Jersey Tax-Free Income A (FRNJX)	NJ	4.7	4.8	5.6	5.5	◓	●	●	◓	3.28	4.25	0.65	1,211	
New York Tax-Free Income A (FNYTX)	NY	4.3	4.1	5.2	5.5	◒	●	●	◓	3.17	4.25	0.61	4,940	
Ohio Insured Tax-Free Income A (FTOIX)	OH	4.7	4.3	5.2	5.3	●	●	●	◓	3.16	4.25	0.65	1,153	
Pennsylvania Tax-Free Income A (FRPAX)	PA	4.8	4.3	5.3	5.3	◓	●	◓	◓	3.28	4.25	0.67	884	
Strategic Income A (FRSTX)	MSI	8.1	6.5	9.1	7.0	●	◒	●	●	4.87	4.25	0.90	1,783	
Templeton Global Bond A (TPINX)	GLI	13.3	8.3	13.0	7.3	●	◓	●	●	4.63	4.25	1.03	3,346	
U.S. Government Securities A (FKUSX)	GNM	3.7	3.4	4.2	5.5	◓	●	●	◒	4.57	4.25	0.73	6,544	
→ **Gartmore** Bond Index A (GBIAX)	IID	3.7	3.1	4.4	–	◒	◓	◓	○	4.32	5.75	0.72	2,138	800-848-0920
→ **Goldman Sachs** Core Fixed Income A (GCFIX)	IID	3.7	3.5	5.1	–	◒	●	●	●	3.97	4.50	0.86	2,345	800-526-7384
Global Income A (GSGIX)	GLI	1.6	3.3	3.9	5.0	○	●	○	○	2.31	4.50	1.08	911	
High Yield A (GSHAX)	HY	11.4	9.3	10.7	–	●	●	●	●	6.57	4.50	1.15	2,958	
High Yield Municipal A (GHYAX)	HM	7.8	7.2	7.6	–	◓	●	◓	●	4.29	4.50	0.96	7,493	
Short Duration Government A (GSSDX)	SUS	3.9	2.1	3.0	–	●	◒	●	●	3.40	2.00	0.93	882	
→ **Harbor** Bond Instl. (HABDX)	IID	4.0	4.0	5.7	6.6	◓	●	●	◓	4.40	None	0.58	2,405	800-422-1050
→ **Hartford** Floating Rate A (HFLAX)	LP	6.7	–	–	–	●	–	–	–	6.38	3.00	0.29	2,613	888-843-7824
Total Return Bond A (ITBAX)	IID	4.0	3.2	5.3	6.0	◓	◓	◓	●	4.34	4.50	1.20	891	
→ **ING** Intermediate Bond A (IIBAX)	IID	3.8	3.6	5.4	–	◓	●	●	◓	4.44	2.50	0.93	1,072	800-992-0180
→ **iShares** Lehman 1-3 Year Treasury Bond (SHY)	SUT	3.8	2.0	–	–	●	●	◓	●	4.66	None	0.15	5,589	800-474-2737

NOTES: Peer-group abbreviations on page 79. Boldface indicates fund beat benchmark index. [1]Through Dec. 28. [2]Closed to new investors. [3]Maximum deferred sales charge. [4]Closed to new investors, other classes open. [5]Open to GE employees only. A dash indicates not available or not applicable. **PEER-GROUP RANK:** ● = fund finished in top quartile of peer group; ◓ = second quartile; ◒ = third quartile; ○ = bottom quartile. **SOURCE:** Lipper.

INVEST TO WIN

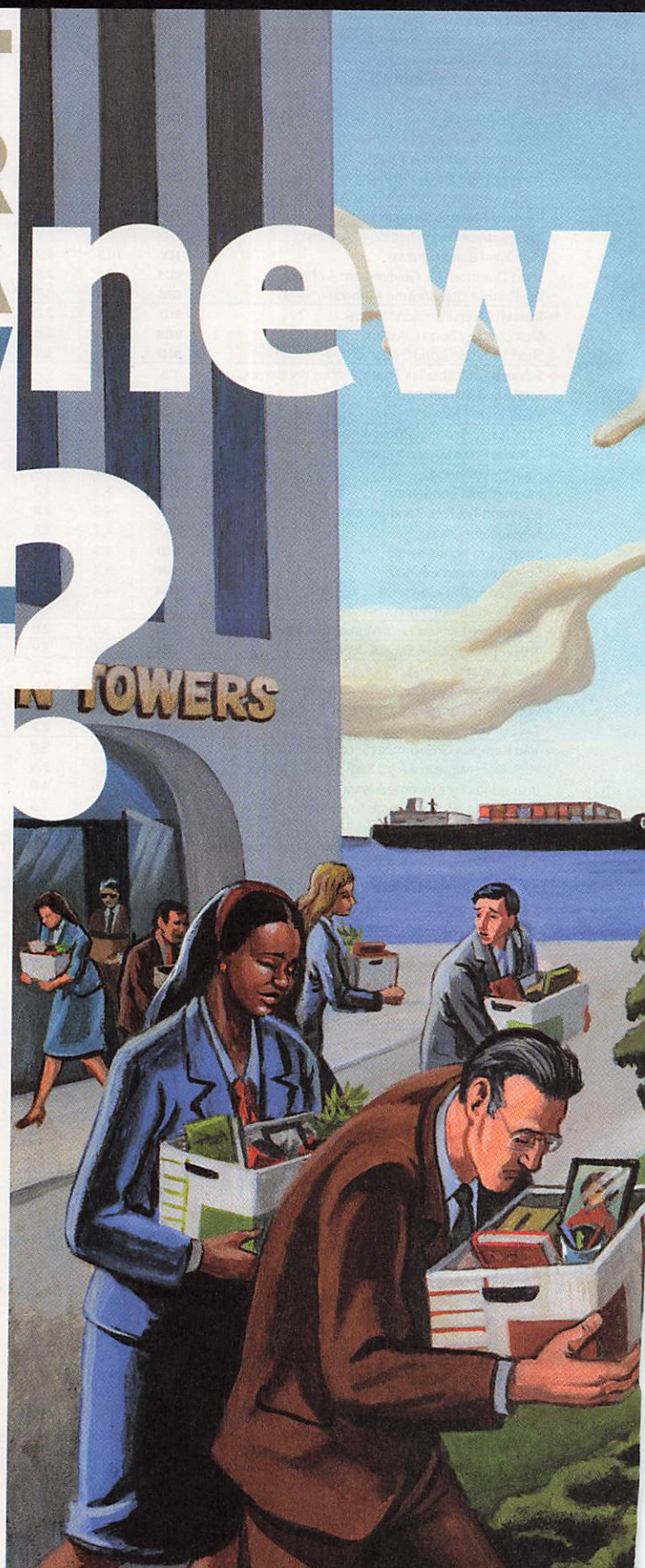
COMPANY/FUND NAME (TICKER)	PEER GROUP	% 2006 RETURN[1]	% ANNUALIZED RETURN[1] THREE YEARS	FIVE YEARS	10 YEARS	PEER-GROUP RANK '06	'05	'04	'03	% YIELD	% SALES LOAD	EXPENSES (% OF ASSETS)	TOTAL ASSETS ($ MIL.)	TELEPHONE
→ **iShares** Lehman Aggregate Bond (AGG)	IID	4.2	3.4	–	–	◓	●	◓	–	5.01	None	0.20	4,666	800-474-2737
Lehman U.S. TIPS Bond (TIP)	IUT	0.3	3.6	–	–	●	●	●	–	2.24	None	0.20	4,056	
→ **J.P. Morgan** Bond A (JBDAX)	IID	4.4	3.9	5.1	–	●	●	●	◓	4.66	3.75	0.75	2,014	800-480-4111
Core Bond A (PGBOX)	IUG	4.0	3.4	4.8	6.0	●	◓	●	●	4.27	3.75	0.75	3,524	
Core Plus Bond A (ONIAX)	IID	4.0	3.5	4.9	5.5	◓	●	●	◓	4.65	3.75	0.90	979	
Government Bond A (OGGAX)	GUS	3.1	3.5	4.9	5.7	◓	●	●	●	4.47	3.75	0.75	1,121	
High Yield Bond A (OHYAX)	HY	12.5	8.7	9.8	–	●	◓	●	◓	7.38	3.75	1.11	1,192	
Intermediate Bond A (OGBAX)	SIU	3.8	3.0	4.4	5.5	●	●	●	●	4.61	3.75	0.83	1,121	
Intermediate Tax Free Bond A (JITAX)	IMD	3.4	–	–	–	◓	◓	–	–	3.62	3.75	0.75	2,863	
Mortgage-Backed Securities A (OMBAX)	USM	4.3	3.7	4.9	–	◓	●	●	●	4.33	3.75	0.65	1,426	
Municipal Income A (OTBAX)	IMD	3.6	2.7	3.9	4.4	◓	◓	◓	◓	3.41	3.75	0.84	1,480	
Short Duration Bond A (OGLVX)	SUS	4.0	2.2	3.0	4.5	●	◓	◓	●	3.52	2.25	0.80	781	
Short Term Bond A (JSTAX)	SID	4.6	2.3	2.8	–	●	◒	◓	○	4.71	2.25	0.75	1,319	
Tax Free Bond A (PMBAX)	GM	4.0	3.3	4.8	5.0	◒	○	◒	◓	4.00	3.75	0.75	1,063	
Ultra Short Duration Bond C (OGUCX)	USO	4.0	2.5	2.5	–	◒	○	◓	◓	4.11	None	1.20	1,438	
→ **JennisonDryden** Dryden Gov. Income A (PGVAX)	GUS	3.2	2.6	4.1	5.3	◓	◓	◒	●	3.55	4.50	0.97	935	800-225-1852
Dryden High Yield A (PBHAX)	HY	10.2	7.8	9.1	5.3	◓	◓	◓	◓	6.43	4.50	0.90	1,489	
→ **John Hancock** Bond A (JHNBX)	A	4.4	3.7	5.3	5.9	●	●	◓	●	4.71	4.50	1.07	1,001	800-225-5291
High Yield A (JHHBX)	HY	20.1	11.0	13.8	7.5	●	●	◒	●	5.81	4.50	1.00	1,013	
Strategic Income A (JHFIX)	MSI	4.3	5.3	7.8	6.6	○	◒	◓	◒	4.16	4.50	0.89	1,388	
→ **Legg Mason Western** Part. Core Plus Bond A (SHMGX)	IID	4.4	3.0	3.8	4.9	●	◒	◒	○	4.82	4.25	1.02	865	800-451-2010
Partners Global High Yield Bond A (SAHYX)	HY	9.8	8.4	10.9	6.6	◓	●	●	◓	6.79	4.50	1.20	973	800-446-1013
Partners Managed Municipals A (SHMMX)	GM	6.4	4.0	5.0	5.2	●	◓	○	●	4.38	4.25	0.71	2,477	800-451-2010
→ **Loomis Sayles** Bond Retail (LSBRX)	BBB	11.1	8.8	13.4	–	●	●	●	●	5.08	None	0.99	8,306	800-633-3330
Global Bond Retail (LSGLX)	GLI	7.8	4.2	10.5	–	●	◒	◓	●	4.10	None	1.00	1,289	
Strategic Income A (NEFZX)	MSI	11.8	9.7	15.5	9.5	●	●	●	●	4.94	4.50	1.18	6,080	800-225-5478
→ **Lord Abbett** Bond Debenture A (LBNDX)	HY	9.9	6.7	7.6	6.3	◓	◒	◒	○	6.49	4.75	0.99	7,763	800-821-5129
High Yield Municipal Bond A (HYMAX)	HM	9.3	–	–	–	●	◓	–	–	4.92	3.25	0.00	1,244	
→ **MainStay** Floating Rate A (MXFAX)	LP	5.8	–	–	–	◓	◒	–	–	6.56	3.00	1.05	1,050	800-624-6782
High Yield Corporate Bond A (MHCAX)	HY	11.7	9.3	12.2	8.0	●	●	●	●	6.35	4.50	1.02	4,491	
→ **Managers** Fremont Bond (MBDFX)	IID	3.5	3.9	5.5	6.7	◒	●	●	◓	4.67	None	0.60	1,172	800-548-4539
→ **MassMutual** Premier Core Bond N (MCBNX)	IID	3.2	3.0	–	–	○	◒	–	–	4.00	1.00	1.28	1,734	888-309-3539
→ **Metropolitan West** Low Duration Bond M (MWLDX)	SID	6.1	4.0	3.6	–	●	●	●	●	4.64	None	0.58	1,375	800-241-4671
Total Return Bond M (MWTRX)	IID	6.9	5.1	5.6	–	●	●	●	●	4.94	None	0.65	2,054	
→ **MFS** Bond A (MFBFX)	BBB	5.0	4.2	6.2	6.0	◓	◓	●	◓	4.99	4.75	0.87	1,298	800-225-2606
Government Securities A (MFGSX)	GUS	3.6	3.0	4.1	5.3	●	◓	◓	◓	4.16	4.75	0.80	1,345	
High Income A (MHITX)	HY	10.3	7.4	8.9	5.8	◓	◓	◒	◒	6.90	4.75	1.00	1,232	
Municipal Bond A (MMBFX)	GM	4.5	3.9	5.4	5.3	◓	◓	◓	◓	4.16	4.75	0.48	1,053	
Municipal High Income A (MMHYX)	HM	6.7	6.8	6.7	5.7	◓	◓	●	◓	4.90	4.75	0.71	1,618	
Research Bond A (MRBFX)	A	4.1	3.6	5.7	–	●	◓	●	●	4.50	4.75	0.69	2,085	
→ **Morgan Stanley** Tax-Exempt Securities Trust A (TAXAX)	GM	5.1	4.1	5.4	–	●	◓	◓	●	3.30	4.25	0.69	1,111	800-869-6397
U.S. Government Securities Trust A (USGAX)	GUS	3.0	3.2	4.3	–	◓	●	◓	◓	4.72	4.25	0.87	2,363	
→ **Northeast** Investors Trust (NTHEX)	FLX	12.1	9.6	9.2	5.7	●	●	●	◓	7.50	None	0.62	1,382	800-225-6704
→ **Northern** Fixed Income (NOFIX)	BBB	4.2	3.4	4.6	5.3	◓	◓	◒	◒	4.56	None	0.90	961	800-595-9111
High Yield Fixed Income (NHFIX)	HY	10.0	6.8	8.8	–	◓	◒	◒	◒	7.13	None	0.90	1,666	
→ **Nuveen** High Yield Municipal Bond A (NHMAX)	HM	8.4	9.2	9.2	–	●	●	●	●	4.44	4.20	0.88	4,470	800-257-8787
Intermediate Duration Municipal Bond A (NMBAX)	GM	3.9	3.8	4.4	4.8	◒	◒	●	○	3.24	3.00	0.74	2,499	
→ **Oppenheimer** AMT-Free Municipals A (OPTAX)	GM	7.4	7.9	8.0	6.0	●	●	●	●	4.15	4.75	0.76	2,115	800-225-5677
AMT-Free New York Municipals A (OPNYX)	NY	8.7	7.0	6.9	6.0	●	●	●	●	3.75	4.75	0.84	1,243	
California Municipal A (OPCAX)	CA	7.7	9.0	8.2	6.5	●	●	●	●	3.96	4.75	0.78	1,885	
Champion Income A (OPCHX)	HY	9.1	7.1	8.2	5.7	◒	◒	◒	◒	6.92	4.75	1.08	2,618	
Core Bond A (OPIGX)	IID	4.6	3.9	5.7	5.4	●	●	●	●	4.57	4.75	0.90	1,391	
International Bond A (OIBAX)	INI	8.4	9.4	14.6	8.9	●	●	●	●	5.34	4.75	1.02	5,861	
Limited Term Government A (OPGVX)	SUS	3.9	2.4	2.9	4.5	●	◓	●	◓	4.25	3.50	0.70	1,831	
Limited Term Municipal A (OPITX)	SIM	5.4	6.5	7.1	5.8	●	●	●	●	3.63	3.50	0.78	1,941	
Limited Term New York Municipal A (LTNYX)	OSS	5.3	5.0	5.3	5.1	●	●	●	●	3.56	3.50	0.74	4,220	
Pennsylvania Municipal A (OPATX)	PA	7.6	7.8	8.9	6.4	●	●	●	●	3.90	4.75	0.72	1,166	
Rochester Fund Municipals A (RMUNX)	NY	8.3	8.1	7.6	6.6	●	●	●	●	4.09	4.75	0.70	10,001	
Rochester National Municipal A (ORNAX)	HM	10.4	10.3	10.3	7.7	●	●	●	●	5.15	4.75	0.60	6,589	
Strategic Income A (OPSIX)	MSI	7.6	7.2	9.5	6.7	●	●	●	●	3.91	4.75	0.94	7,188	
U.S. Government Trust A (OUSGX)	GUS	3.6	3.4	4.6	5.5	●	◓	●	◓	4.34	4.75	0.90	911	
→ **Payden & Rygel** Payden Core Bond (PYCBX)	IID	2.3	2.9	4.9	5.8	○	◓	●	◒	4.80	None	0.45	893	800-572-9336
→ **Phoenix** Multi-Sector Short Term Bond A (NARAX)	SII	5.7	4.0	5.7	5.8	●	◓	●	●	4.81	2.25	1.01	1,461	800-243-4361
→ **Pimco** Developing Local Markets D (PLMDX)	INI	11.1	–	–	–	●	–	–	–	4.00	None	1.24	3,616	800-426-0107
Diversified Income C (PDICX)	MSI	6.4	6.4	–	–	◒	●	◒	–	4.29	1.00[3]	1.90	1,732	
Emerging Markets Bond A (PAEMX)	EMD	9.4	10.9	15.2	–	○	◓	◒	●	4.41	3.75	1.25	2,580	
Floating Income A (PFIAX)	LP	8.6	–	–	–	●	●	–	–	4.48	2.25	0.95	3,950	
Foreign Bond Fund (U.S. Dollar-Hedged) A (PFOAX)	INI	2.5	4.5	4.8	–	○	●	○	○	3.02	3.75	0.95	2,469	
Foreign Bond Fund (Unhedged) A (PFUAX)	INI	5.9	–	–	–	◓	◒	–	–	3.21	3.75	0.95	2,198	
High Yield A (PHDAX)	HY	9.0	7.5	8.6	–	◒	●	◒	◒	6.24	3.75	0.90	7,322	
Long-Term U.S. Government A (PFGAX)	GUS	0.9	3.9	6.7	–	○	●	●	●	4.22	3.75	0.88	1,295	
Low Duration A (PTLAX)	SID	3.4	2.1	3.3	–	○	◒	●	◓	4.07	2.25	0.88	10,716	
Real Return A (PRTNX)	IUT	-0.2	3.5	6.9	–	◓	●	●	◓	3.28	3.00	0.90	13,149	
Short-Term A (PSHAX)	USO	4.2	2.6	2.5	–	◒	◒	◓	●	4.41	2.25	0.75	3,371	
Total Return A (PTTAX)	IID	3.6	3.5	5.2	–	◒	●	●	◓	4.16	3.75	0.90	100,110	

NOTES: Peer-group abbreviations on page 79. Boldface figures indicate fund beat benchmark index. [1]Through Dec. 28. [2]Closed to new investors. [3]Maximum deferred sales charge. [4]Closed to new investors, other classes open. A dash indicates not available or not applicable. **PEER-GROUP RANK:** ● = fund finished in top quartile of peer group; ◓ = second quartile; ◒ = third quartile; ○ = bottom quartile. **SOURCE:** Lipper.

COMPANY/FUND NAME (TICKER)	PEER GROUP	% 2006 RETURN[1]	% ANNUALIZED RETURN[1] THREE YEARS	FIVE YEARS	10 YEARS	PEER-GROUP RANK '06	'05	'04	'03	% YIELD	% SALES LOAD	EXPENSES (% OF ASSETS)	TOTAL ASSETS ($ MIL.)	TELEPHONE
→ **Pioneer** Bond A (PIOBX)	A	3.4	3.8	5.9	5.8	◒	●	●	●	3.93	4.50	0.99	879	800-225-6292
Global High Yield A (PGHYX)	HY	12.4	11.1	15.3	–	●	●	●	●	7.03	4.50	1.04	1,269	
High Yield A (TAHYX)	HY	10.8	6.7	9.3	–	●	◒	○	●	4.97	4.50	1.06	4,840	
Strategic Income A (PSRAX)	MSI	6.1	6.4	9.8	–	◒	◒	●	●	5.40	4.50	1.09	1,196	
→ **Principal** Investors Bond & Mortgage Sec. J (PBMJX)	IID	3.8	3.2	4.3	–	◒	◒	◒	○	4.13	5.40	1.13	2,079	800-247-4123
→ **Putnam** California Tax Exempt Income A (PCTEX)	CA	4.4	4.0	4.9	5.1	◒	◒	◒	◒	3.35	3.75	0.72	2,102	800-225-1581
Diversified Income Trust A (PDINX)	MSI	6.7	6.4	8.9	5.6	◒	●	◒	◒	5.18	3.75	0.89	2,807	
High Yield Trust A (PHIGX)	HY	9.9	8.2	9.9	5.4	◒	●	●	◒	7.24	3.75	1.00	2,360	
Income A (PINCX)	A	4.2	3.5	4.8	4.9	●	●	◒	◒	4.78	3.75	0.96	2,506	
New York Tax Exempt Income A (PTEIX)	NY	4.6	3.7	5.0	5.1	◒	◒	◒	◒	3.30	3.75	0.75	1,170	
Tax Exempt Income A (PTAEX)	GM	4.2	4.0	5.0	5.0	◒	◒	●	●	3.37	3.75	0.78	1,217	
Tax-Free High Yield A (PTHAX)	HM	6.1	6.3	5.7	4.8	◒	◒	●	◒	3.69	3.75	0.81	1,479	
U.S. Government Income Trust A (PGSIX)	GNM	4.1	3.2	3.9	5.1	●	◒	◒	◒	4.46	3.75	0.91	1,230	
→ **Regions Morgan Keegan** Select High Inc. A (MKHIX)[2]	HY	11.1	11.6	12.3	–	●	●	●	○	9.50	2.50	1.09	1,234	800-564-2188
→ **RiverSource** Diversified Bond A (INBNX)	IID	5.3	3.9	4.5	5.1	●	●	●	◒	4.17	4.75	0.94	2,767	888-791-3380
High Yield Bond A (INEAX)	HY	10.7	8.9	8.7	5.1	◒	●	●	◒	6.20	4.75	1.07	2,004	
Short Duration U.S. Government A (IFINX)	SUS	3.9	2.0	2.7	4.1	●	◒	◒	◒	3.09	4.75	0.88	914	
Tax-Exempt High Income A (INHYX)	GM	4.4	3.7	4.8	4.9	◒	◒	◒	◒	2.97	4.75	0.80	3,187	
→ **Russell** Diversified Bond C (RDBCX)	IID	2.9	2.2	3.6	–	○	○	◒	○	3.77	None	1.65	2,200	800-787-7354
Multistrategy Bond C (RMSCX)	BBB	3.0	2.6	4.3	–	○	◒	○	◒	4.14	None	1.87	2,692	
Short Duration Bond C (RSBCX)	SID	2.8	1.1	2.1	–	○	○	○	○	3.21	None	1.65	1,167	
→ **Schwab** California Tax-Free YieldPlus Inv. (SWYKX)	CA	3.2	–	–	–	◒	◒	–	–	3.15	None	0.40	888	800-308-1486
Total Bond Market (SWLBX)	IID	4.6	3.9	5.1	6.0	●	●	●	◒	4.89	None	0.54	1,284	
YieldPlus Inv. (SWYPX)	USO	5.4	3.7	3.3	–	●	●	●	●	4.94	None	0.58	9,540	
→ **STI Classic** Seix High Yield A (HYPSX)	HY	6.8	5.9	7.7	–	○	◒	○	○	6.45	4.75	0.74	1,286	888-784-3863
→ **T. Rowe Price** GNMA (PRGMX)	GNM	3.8	3.5	4.4	5.6	◒	●	●	●	4.82	None	0.66	1,261	800-638-5660
High Yield (PRHYX)[2]	HY	9.7	7.9	9.6	7.3	◒	●	◒	◒	6.99	None	0.77	4,751	
International Bond (RPIBX)	INI	7.3	3.3	9.8	4.4	◒	◒	◒	◒	3.55	None	0.86	2,164	
Maryland Tax-Free Bond (MDXBX)	MD	4.5	3.8	5.1	5.3	●	●	◒	●	3.67	None	0.48	1,440	
New Income (PRCIX)	A	4.1	3.8	5.0	5.6	●	●	◒	◒	4.59	None	0.67	4,401	
Short-Term Bond (PRWBX)	SID	4.3	2.5	3.4	4.8	●	◒	◒	●	4.50	None	0.55	1,382	
Spectrum Income (RPSIX)	GB	8.2	6.3	8.0	7.0	●	◒	●	●	4.38	None	0.00	4,279	
Tax-Free High Yield (PRFHX)	HM	6.8	6.6	6.7	5.6	◒	◒	◒	◒	4.04	None	0.70	1,573	
Tax-Free Income (PRTAX)	GM	5.1	4.4	5.5	5.5	●	●	◒	◒	3.58	None	0.53	1,833	
→ **Thornburg** Limited Term Municipal A (LTMFX)	SIM	3.0	2.0	3.3	3.9	◒	●	◒	◒	2.90	1.50	0.90	1,200	800-847-0200
→ **Thrivent** Municipal Bond A (AAMBX)	GM	4.4	3.9	4.9	5.3	◒	◒	◒	◒	3.21	4.50	0.78	1,236	800-847-4836
→ **USAA** Income (USAIX)	A	4.2	3.8	5.1	6.1	●	●	◒	◒	4.94	None	0.59	1,814	800-531-8181
Tax Exempt Intermediate-Term (USATX)	IMD	4.5	4.0	5.0	5.3	●	●	●	●	3.58	None	0.55	2,792	
Tax Exempt Long-Term (USTEX)	GM	4.8	4.7	6.2	5.8	◒	●	●	●	3.60	None	0.55	2,436	
Tax Exempt Short-Term (USSTX)	SMD	3.5	2.3	3.0	3.8	●	●	●	●	3.44	None	0.55	1,096	
→ **Van Kampen** Government Securities A (ACGVX)	GUS	2.6	3.0	4.1	5.2	◒	●	●	◒	4.77	4.75	1.02	1,113	800-847-2424
High Yield Municipal A (ACTHX)[2]	HM	8.1	7.8	7.4	6.2	●	●	●	●	5.28	4.75	0.85	4,494	
Insured Tax Free Income A (VKMTX)	MDI	4.6	4.0	5.4	5.2	●	●	●	◒	3.78	4.75	0.88	1,137	
Strategic Municipal Income A (VKMHX)[2]	HM	8.7	7.5	6.9	5.2	●	◒	●	◒	5.20	4.75	0.85	1,686	
U.S. Mortgage A (VKMGX)	USM	3.4	3.2	3.9	5.1	○	●	◒	◒	5.62	4.75	0.90	1,032	
→ **Vanguard** CA Intm.-Term Tax-Exempt Inv. (VCAIX)	CAT	4.2	3.0	4.5	5.1	●	◒	◒	●	3.67	None	0.16	3,457	800-851-4999
CA Long-Term Tax-Exempt Inv. (VCITX)	CA	5.2	4.4	5.5	5.8	●	◒	◒	●	3.88	None	0.16	2,650	
Florida Long-Term Tax-Exempt Inv. (VFLTX)	FL	4.5	3.7	5.5	5.8	◒	◒	◒	●	3.83	None	0.16	1,203	
GNMA Inv. (VFIIX)	GNM	4.3	3.9	4.9	6.0	●	●	●	●	5.20	None	0.21	23,165	
High-Yield Corporate Inv. (VWEHX)	HY	8.2	6.5	7.6	6.0	○	◒	◒	○	7.10	None	0.25	9,319	
High-Yield Tax-Exempt Inv. (VWAHX)	GM	5.5	4.9	5.7	5.7	●	●	●	●	4.00	None	0.16	5,674	
Inflation-Protected Securities Inv. (VIPSX)	IUT	0.4	3.7	7.0	–	●	●	●	◒	2.33	None	0.20	9,865	
Insured Long-Term Tax-Exempt Inv. (VILPX)	MDI	4.9	4.0	5.6	5.7	●	●	●	●	3.83	None	0.15	3,222	
Intermediate-Term Bond Index Inv. (VBIIX)	IID	3.9	3.5	5.5	6.4	◒	◒	●	●	4.97	None	0.18	6,301	
Intermediate-Term Investment-Grade Inv. (VFICX)	IID	4.5	3.7	5.6	6.3	●	◒	●	●	5.19	None	0.21	5,189	
Intermediate-Term Tax-Exempt Inv. (VWITX)	IMD	4.4	3.3	4.5	4.9	●	●	●	●	3.70	None	0.16	14,551	
Intermediate-Term Treasury Inv. (VFITX)	GUT	3.2	2.9	5.1	6.1	●	◒	◒	◒	4.48	None	0.26	4,012	
Limited-Term Tax-Exempt Inv. (VMLTX)	SIM	3.3	2.0	3.0	3.9	●	●	◒	◒	3.52	None	0.16	6,670	
Long-Term Bond Index Inv. (VBLTX)	A	2.6	5.2	7.3	7.7	○	●	●	◒	5.17	None	0.18	2,181	
Long-Term Investment-Grade Inv. (VWESX)	A	2.7	5.3	7.3	7.2	○	●	●	●	5.50	None	0.25	5,859	
Long-Term Tax-Exempt Inv. (VWLTX)	GM	5.1	4.1	5.5	5.7	●	◒	◒	◒	3.83	None	0.15	2,356	
Long-Term Treasury Inv. (VUSTX)	GUT	1.7	4.9	6.9	7.4	◒	●	●	●	4.52	None	0.26	2,247	
New Jersey Long-Term Tax-Exempt Inv. (VNJTX)	NJ	5.2	4.0	5.4	5.6	◒	◒	◒	◒	3.80	None	0.16	1,718	
New York Long-Term Tax-Exempt Inv. (VNYTX)	NY	4.8	3.8	5.6	5.7	●	◒	◒	●	3.69	None	0.15	2,470	
Pennsylvania Long-Term Tax-Exempt Inv. (VPAIX)	PA	4.8	3.8	5.4	5.6	◒	◒	◒	●	3.84	None	0.16	2,390	
Short-Term Bond Index Inv. (VBISX)	SID	4.1	2.4	3.4	5.1	◒	◒	●	●	4.81	None	0.18	5,294	
Short-Term Federal Inv. (VSGBX)	SUS	4.3	2.5	3.5	5.0	●	●	●	●	4.79	None	0.20	2,588	
Short-Term Investment-Grade Inv. (VFSTX)	SID	4.9	3.1	3.8	5.2	●	●	●	●	5.03	None	0.21	17,677	
Short-Term Tax-Exempt Inv. (VWSTX)	SMD	3.2	2.0	2.2	3.2	◒	◒	◒	◒	3.43	None	0.16	4,083	
Short-Term Treasury Inv. (VFISX)	SUT	3.7	2.2	3.4	4.9	●	●	◒	●	4.59	None	0.26	3,475	
Total Bond Market Index Inv. (VBMFX)	IID	4.2	3.6	4.7	5.9	◒	●	◒	◒	5.00	None	0.20	39,397	
→ **Waddell & Reed** Advisors High Income A (UNHIX)	HY	8.3	6.4	7.2	5.6	○	◒	◒	○	6.96	5.75	1.14	948	888-923-3355
→ **Wells Fargo Advantage** Government Sec. Inv. (STVSX)	GUS	3.6	3.0	4.5	5.8	●	●	◒	●	4.56	None	1.02	1,072	800-222-8222
Total Return Bond A (MBFAX)	IID	3.9	3.2	4.8	–	◒	◒	◒	◒	4.26	4.50	0.89	1,281	
Ultra Short-Term Income Inv. (STADX)	USO	4.7	3.4	2.7	4.1	◒	●	●	●	5.06	None	0.84	879	

NOTES: Peer-group abbreviations on page 79. Boldface figures indicate fund beat benchmark index. [1]Through Dec. 28. [2]Closed to new investors. [3]Maximum deferred sales charge. [4]Closed to new investors, other classes open. A dash indicates not available or not applicable. **PEER-GROUP RANK:** ● = fund finished in top quartile of peer group; ◒ = second quartile; ◒ = third quartile; ○ = bottom quartile. **SOURCE:** Lipper.

IS IT TIME FOR A NEW DEAL?



By Pat Regnier

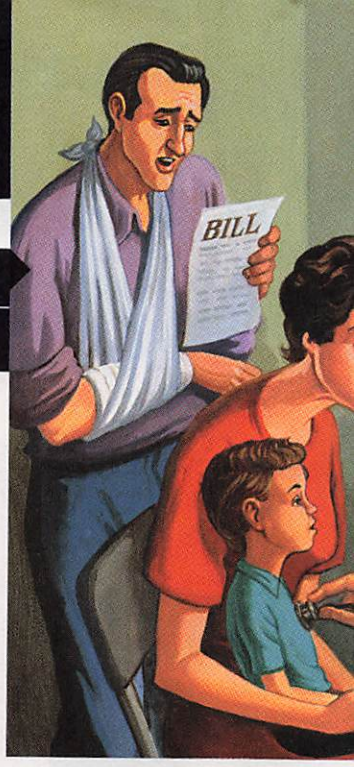
Americans are prosperous, but worried—about jobs, health care, retirement. Now some in Washington are asking if life really needs to be this risky.

So how are you doing? Money-wise, that is.

One way to answer this is to take a look around your house. There's a flat-panel TV in the family room, an MP3 player docked to your computer and a tangled mess of cell-phone chargers over by the kitchen counter. You have more clothes in your closets than you can wear. (Crazy how cheap a T-shirt is these days, isn't it?) Those closets, by the way, are surrounded by a house that's bigger than the one you grew up in and is worth maybe twice what you paid for it. Out in the driveway on the car you bought with 6% financing, perhaps there's a window sticker bearing the name of your kid's university. Life looks abundant.

Then again, maybe you answer by opening up that desk drawer in your bedroom. The one with all the bills and paperwork you slog through the first Sunday of the month. Six years after the market crash, your 401(k) statement says you've gotten back to even and then some, but you wonder how you'll have enough to

ILLUSTRATIONS BY **JT MORROW**



NEW DEAL: Employer-funded health insurance

NEW NEW DEAL: Universal coverage regardless of job status

retire without a pension like your dad's. There are a few credit-card bills too, and you won't pay all of them in full. If you do have a kid in college, tuition is up $1,200 or so this year. Then there are bills for treatments your health insurance doesn't fully cover; at these prices, you wonder how you'd manage if you got laid off and had to buy your own coverage.

Or perhaps you have a cushion: Your spouse also has a job with insurance. But somehow having two incomes doesn't put your mind at ease. Now your family has twice as many jobs to lose, and you suspect that you'd be able to maintain your standard of living for, oh, 20 minutes if one of you got fired. Like that nice, competent guy who used to sit down the hall from you just did.

The high-tech, free-trading, wildly productive New Economy is showing its other face. Call it the Anxiety Economy. By most of the obvious measures—GDP growth, unemployment, inflation—things are good. But wages have been growing very slowly of late, and middle-class and even upper-middle-class Americans are reminded every day that their families are just a bad break or two away from a financial crisis. More people are getting angry: The November elections heralded the arrival of a new voter bloc, the "Lou Dobbs Democrats," who blame cheap foreign labor and immigration for anxiety about our jobs. According to Republican pollster Frank Luntz, anxiety abides, even if you don't feel personally threatened. "People think they are doing okay," says Luntz, "but that everyone else is badly off."

As the new Congress takes over, for the first time in 12 years Democratic legislators have a chance to set the agenda, and the Anxiety Economy is going to be near the top. George W. Bush's entrepreneurial, it's-your-money Ownership Society is out. What's in: addressing risk. Some Democrats, like Senators Byron Dorgan of North Dakota and Sherrod Brown of Ohio, focus on the risk that your job will be shipped overseas. Others are searching for a new New Deal between business and the rest of us, keeping foreign trade flowing (with some caveats on labor and environmental standards) in exchange for new public policies that address increasingly risky propositions, from financing retirement to paying for college to the Big Kahuna: health insurance.

There are plenty of ideas for fixes—though some are directly opposed to one another and many will cost you as a taxpayer. First, let's look at just why it is that we're all so nervous. Many conservatives question, with some justice, whether the economy is really as harsh on ordinary Americans as the Democrats say. What neither side disputes, however, is this: The rules of middle-class life are changing.

Um, is that a sword over your head?

Yes, and it's an awfully sharp one, Democrats argue. "Over the past 10 years, we've had something wonderful happen, which is huge productivity gains in the economy," says Gene Sperling, former economic adviser to President Bill Clinton, chatting in his cluttered office at the Council on Foreign Relations in D.C. "But if you compare the first five years with the second five years, it's a tale of two cities." In the first half, the economy grew so hot that employers had to hire like crazy, which meant rising wages for Americans in the middle. Then real wages stalled for several years, even though workers' output and corporate profits kept rising. You'll no doubt notice that Sperling's timeline is suspiciously flattering of Democrats (though Clinton's embrace of free trade still infuriates the party's left). Still, there are reasons for anxiety that liberals just aren't making up.

> You face more competition.

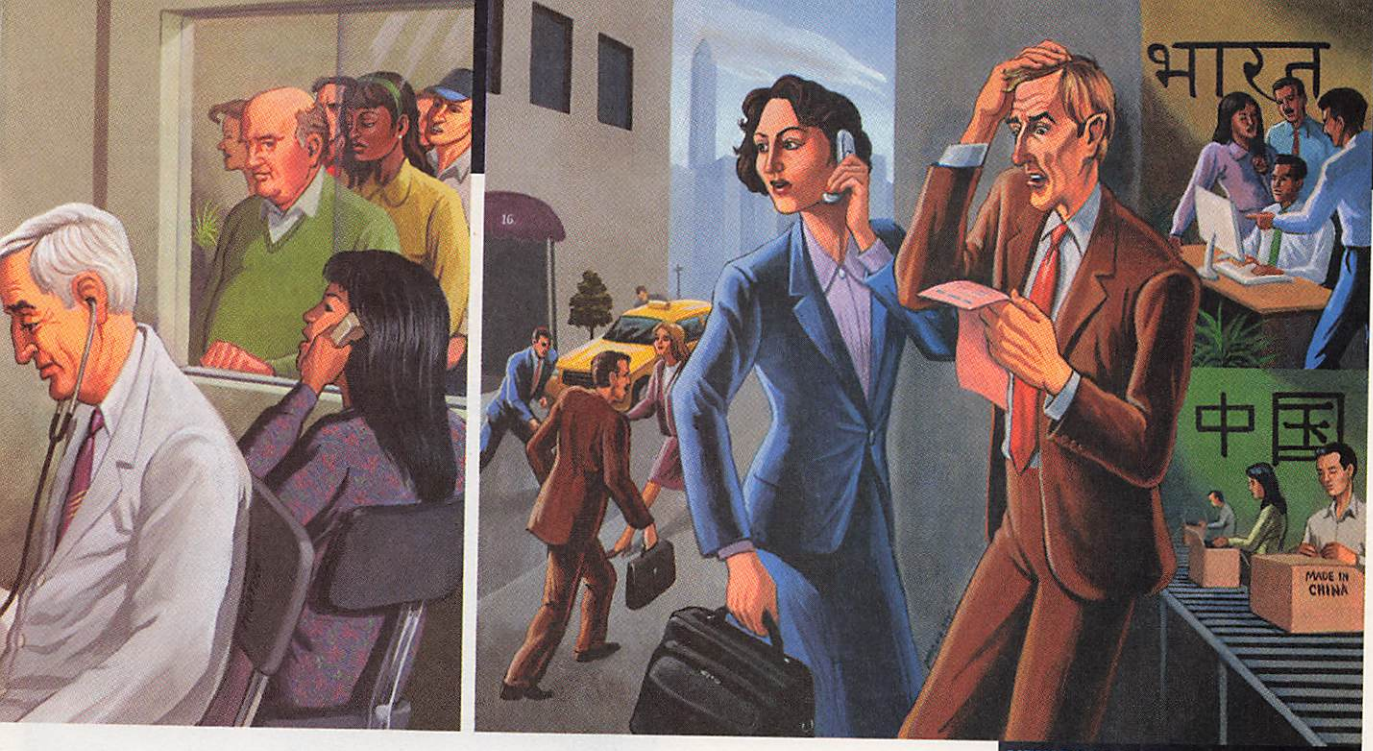
A quarter-century ago, blue-collar workers got a nasty shock when they found themselves going head to head with manufacturers in Japan and South Korea. But that's nothing compared with the scale and pace of what's coming. "Japan and South Korea are 3% of the global labor force," says Sperling. "China and India make up 40%. There is no precedent for this huge group of workers that through information technology can compete with American workers overnight."

Americans are reminded every day that they're just a bad break or two away from a financial crisis. Call it the Anxiety Economy.

Those new hands aren't all going to be set to building cars and toasters. They'll be engaged in what economists call "tradable services," which include any job that doesn't need to be done in person. New technology will expose more and more jobs, says Princeton economist and former Federal Reserve vice chairman Alan Blinder. "I can imagine down the road the technology will be good enough," says Blinder, "that on the stage where I lecture at Princeton there could be a hologram of a professor in India delivering the lecture for a tenth of my pay."

> Your income is less reliable.

Jacob Hacker, a Yale political scientist and author of the book *The Great Risk Shift*, dug into the data from a long-running survey that tracks the year-to-year income of thousands of



NEW DEAL: Unemployment benefits for temporary layoffs

NEW NEW DEAL: Wage insurance for disappearing jobs

families and found that more are taking big hits. In 1970 the average American had a 7% chance of experiencing a 50% drop in family income; by 2002 it was a 17% chance. There's more going on here than offshoring—such as jobs being supplanted by technology, the rise of two-income families and divorce, and the decline of unions. Whatever the reasons, the results are scary: The child poverty rate is about 20% in any given year, but more than half of American children will fall below the poverty line for at least one year, Hacker notes. These, remember, are the kids we'll all be counting on to keep the economy humming in a more competitive world. Moreover, as job competition rises for college grads, so does income volatility. A 2005 study by economist Henry Farber, also of Princeton, found that the average college-educated person who loses a job earns 14% less on the next job. "Middle-class Americans are facing much greater risks than they once were," says Hacker.

> Your employer is rolling up the safety net.

Look at what's happened to what Hacker calls "our private welfare system." Today, 19% of workers with a retirement plan have all of it in a traditional pension, according to research from Boston College. Twenty years ago, that figure was 62%. Instead, most of us with employer-sponsored plans have 401(k)s or something similar. We bear the burden of making sure to contribute enough and the risk of deciding where to invest. And when we leave the company, our relationship is mostly over; it's our job to make the money we've saved last. Meanwhile, companies are less likely to offer health benefits for retirees and are pushing workers they do insure to share more of the burden. The 47 million uninsured include 22 million with full-time jobs.

But you can handle this, can't you?

The odds are certainly in your favor, say conservative economists and academics. Yes, a dynamic, growing economy will have winners and losers. And many conservatives concede that the Ownership Society rhetoric has fallen flat. "It's not like it's led to a lot of successes," says Kevin Hassett of the American Enterprise Institute, noting the lead-balloon performance of Bush's 2005 Social Security plan. But they also point to low unemployment and the recent jump in average wages (up 2.8% after inflation in the past year) as evidence that economic growth is helping the middle class. More important, they argue that Americans will prove resilient in the face of change.

First, for all the talk about offshoring, its impact so far isn't what you might think from watching *Lou Dobbs Tonight*. Even Blinder, who believes that offshoring is going to get much bigger, is careful to point out that fewer than a million service sector jobs have moved abroad. The U.S. economy sheds that many jobs, and usually adds more, every two weeks, he notes. And don't forget the other side of the ledger. Trade creates jobs (often indirectly) as well as destroying them.

Moving beyond offshoring, University of Chicago labor economist Steven Davis says there's no evidence that jobs have gotten harder to hang on to over the long run. So why does it seem that way? First, job security has declined for college-educated men, a group that had been relatively insulated from economic ups and downs. Second, says Davis, employment stability actually has fallen at publicly traded firms. They employ just a third of all workers, but news about them gets reported every day. "The sector of the economy that gets the most attention," says Davis, "has become more volatile."

For Brink Lindsey of the free-market Cato Institute, the look-around-your-house test is the one that matters. "Despite a lot of statistical mumbo jumbo from the sky-is-falling crowd," he says, "Americans are enjoying a level of material prosperity unrivaled in the world." In a pugnacious *Wall Street Journal* review of

Hacker's book, Lindsey points out that since the 1970s, the number of college-educated adults has more than doubled, home ownership has risen, and air conditioners, color TVs and dishwashers (most no doubt built in cheap labor markets) have become fairly common even in households living below the poverty line.

What about income volatility? Free-market advocates argue that the way Americans spend suggests that middle- and upper-income households are pretty good at smoothing out the bumps. (Low-income households have a much harder time.) Families can dip into savings—or into their credit accounts. "We have a plastic safety net, and an ability to take out loans on incredibly appreciated homes, and all kinds of mechanisms for dealing with income volatility," says Lindsey. Of course, using credit cards and home-equity loans to smooth out dips from lost wages is plenty risky, and it only works at all if your income is going to bounce back—something that doesn't happen for lots of laid-off workers.

Easing the Anxiety Economy

Democratic and Republican politicians will be arguing over how rich you are or how shafted you are until at least November 2008. (And afterward they may just switch sides.) Rhetoric aside, it's a fact that many of the tools available to Americans to manage the risk in their lives are seriously outdated, if not obsolete. Employer-sponsored health insurance is a product of World War II-era wage controls; companies could offer it instead of a raise. Traditional pensions have proved too great a burden for many companies fighting overseas competitors, but 401(k)s aren't ready to replace them, and Social Security needs shoring up. Republicans too are warming to the idea that the government can do more to help families cushion economic shocks. "So much of the conservative agenda has become stale," says Reihan Salam, a writer and political analyst. "How much can you keep talking about tax cutting when the salience of the federal tax burden just isn't what it was?" More important, the Democrats control Congress, and thus the agenda. Here are the three big items they'll want to take on, and how debate over them might play out over the next couple of years:

Health Care > Loosen the bond between insurance and your job.

Getting laid off can be doubly devastating: You lose your income *and* your health insurance. (Unless you can afford COBRA payments even when there's no paycheck coming in.) If we're going to embrace globalization and a flexible economy, leaving the inevitable losers in that process so exposed seems like a bad idea. "If we dealt with health care, some of the people who are skeptical about trade would be less skeptical," says Barney Frank, the powerful new chairman of the House Financial Services Committee. Democrats have a simple cure: universal insurance. That's "simple" as in easy to understand, not to do. The Clintons, you'll recall, got thumped when they tried this.

1 Economy, 2 Stories

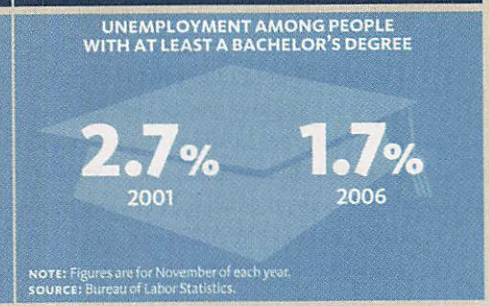
By quite a few measures, the U.S. economy has performed great. By others, there's legitimate cause for worry.

THE DREAM ECONOMY

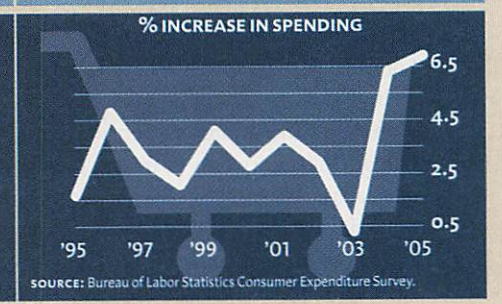
American workers keep getting more productive.

More of us than ever own our homes.

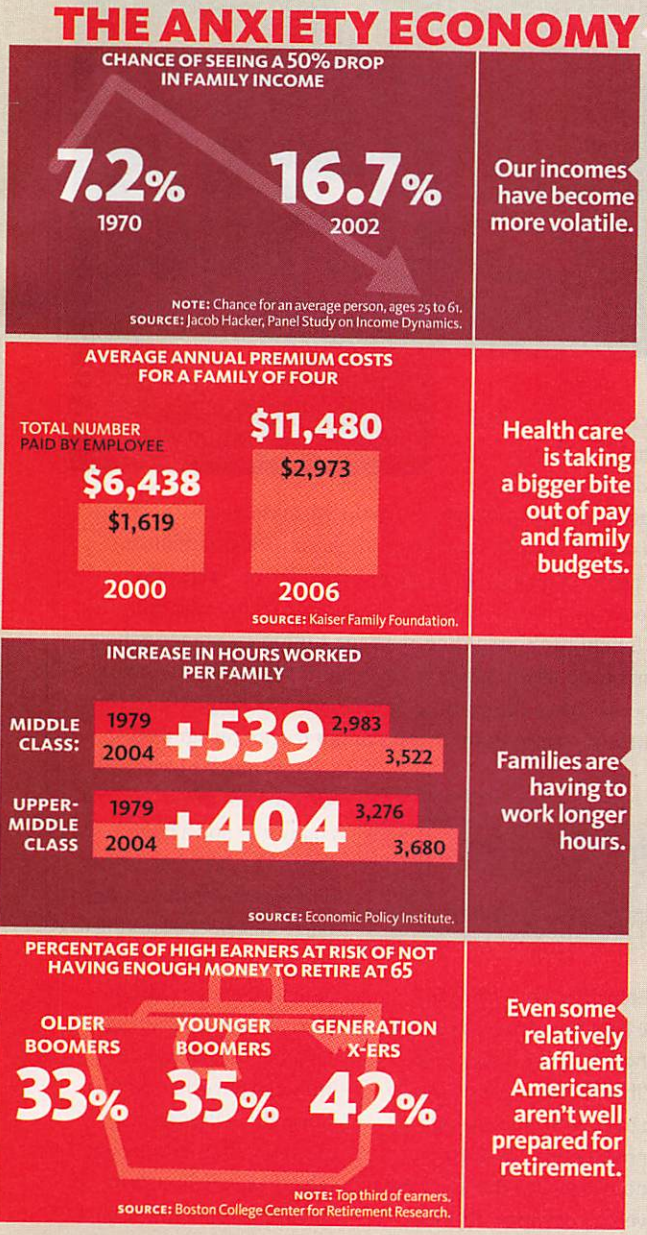
The jobless rate is low, especially for those with a college degree.



And Americans keep on spending more.



But the problem looks worse now than it did 15 years ago, so expect to hear new variations on a government health-care solution. Hacker, for one, proposes keeping the private health-care system but requiring employers that don't offer coverage to pay into an expanded Medicare system. In their



book *The Plan*, congressman Rahm Emanuel and Bruce Reed of the moderate Democratic Leadership Council propose the smaller step of universal coverage for children. "It could provide a victory on an issue where there haven't been a lot of wins," says Reed.

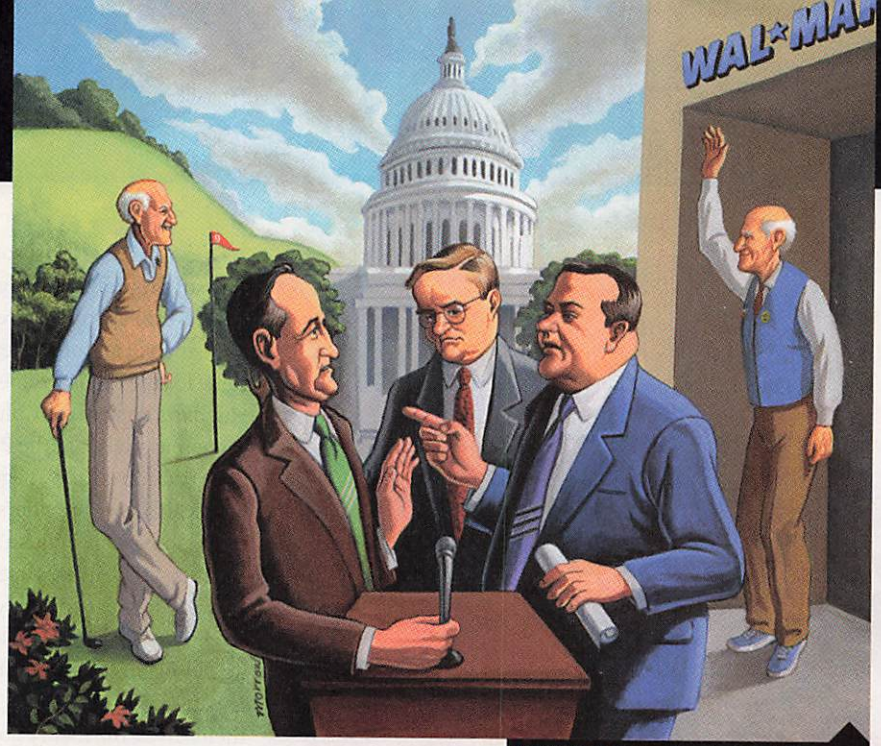
Of course, it would also leave taxpayers on the hook for even more of a rapidly-inflating segment of the American economy. Health-care spending already eats up 16% of GDP in the U.S., far more than in any other developed country. "We don't get good value for the funds we spend on health care," says R. Glenn Hubbard, dean of the Columbia business school and former economic adviser to the President. Liberals think government can push back on costs by negotiating lower fees with drug companies and health-care providers. Republicans would rather see you do the pushing. One of Bush's key health-care initiatives is tax-advantaged health savings accounts to encourage people to pay for more of their care directly instead of through insurance. Hubbard would go further and make all out-of-pocket health spending, including premiums for insurance you buy yourself, tax deductible for those with insurance. If Americans picked up more of the tab themselves, the theory goes, they'd be pickier about costly treatments, and insurance would be more affordable.

But politicians may not be willing to wait to see those theories play out. In 2006, Republican governor Mitt Romney signed off on health-care legislation in Massachusetts. The law provides financial help for people to buy coverage and requires everyone to get insurance, an appealing idea for conservatives who value personal responsibility. The idea is to keep costs down by forcing younger, healthier workers to pay in even if they use less care. It's too soon to say whether Romneycare will work, but California governor Arnold Schwarzenegger, another Republican, is talking about his state guaranteeing insurance for children.

Retirement > Fix Social Security—and get everybody in a private account.

With traditional pensions dying out, middle-class workers will be counting on Social Security more than ever. Charles Rangel, the chairman of the House Ways and Means committee, says he's gotten signals from Republicans that they may be ready to work on a long-term fix for Social Security. What about the private accounts Bush had pushed for? When MONEY asked, Rangel said he hadn't heard the question. (He was kidding.)

Still, if the President wants to expand ownership of financial assets, most Democrats would be happy to create "add on" private accounts that supplement Social Security benefits. After years of complaining about the decline of pensions, liberals have mostly given up on saving them and are instead looking to improve and expand 401(k)s. Sperling, for example, proposes a universal 401(k). Employers could pay in and make matching contributions, but even those with no 401(k) at work could begin saving, and those who switch jobs could keep doing so without interruption. Under Sperling's plan, the government would also offer a match, based on your income, a benefit that might spur employers who don't offer 401(k)s to get with the program. As with Romneycare, this has crossover appeal—it shows that Democrats share some of Republicans' economic optimism and faith in free markets.



NEW DEAL: Tax-funded Social Security for the elderly

NEW NEW DEAL: Social Security plus individually funded savings accounts

Income Security > Help us stay in the game.

If global competition for labor is the future, then government has a role to play in helping us compete. That starts by making sure we have the education to stay a step ahead of Chinese and Indian workers. But in the world of tradable services, Blinder notes, it's tougher to guess which kinds of training will pay off. Hacker says this makes higher education a necessary but risky bet, especially as tuitions rise.

Obviously, policies aimed at making college and retraining more affordable would help. It may be time to rethink unemployment insurance, as well. Today's system is based on an old model: Workers lost their jobs when the economy slowed, then returned when things picked up. But what happens to workers whose entire profession shrinks? Many take jobs with lower pay, so Democrats are talking about creating wage insurance to help people make up salary declines.

Layoffs aren't the only source of income volatility. Since the 1970s, middle-class families have increasingly depended upon women's salaries. But women often leave their jobs to take care of children (and some men do too). Salam sees an opportunity for conservatives here. Before the election, he co-wrote a cover story for the influential journal *The Weekly Standard* arguing that Republicans should do more to help the middle- and working-class voters who had been key to their political dominance. Among the proposals: bonuses or expanded tax credits for having children, and subsidies for parents who stay at home to care for children, including, perhaps, tuition assistance to help them retrain when they go back to work. "Republicans have a chance to frame the agenda," says Salam. "Raising children is important, so important that it's unfair it's not recognized."

How much of this will see the light of day, given a costly war and a huge federal budget deficit? An emboldened Democratic party may not be looking to work with Bush, who hasn't exactly been a model of bipartisanship. Then again, Democrats need to show they can govern. And the lame-duck President is thinking about his legacy. That may be enough to get a real conversation going about how to reshape public policy to lessen the stresses of the Anxiety Economy—without losing the opportunity of the New one. $

FEEDBACK:
pregnier@moneymail.com

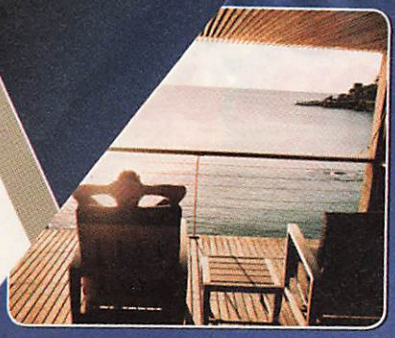
Don't Wait for Uncle Sam

Three ways to protect your family in the Anxiety Economy

1: SAVE FOR MORE THAN RETIREMENT Incomes are more volatile, and there's a risk that your next job might pay considerably less than what you're making now. That means you may need to tap some of your savings while you're still working. Yale's Jacob Hacker recommends trying to turn such volatility in your favor by starting what he calls a "sunny day" fund: Whenever you get an unexpected windfall, sock it away immediately.

2: GET YOUR KIDS A 21ST-CENTURY EDUCATION First, don't overpay: If your kid's future job disappears, crushing student-loan debt won't help. Second, tell your young scholar that a degree isn't enough. Princeton's Alan Blinder says your child will need people skills and creativity to distinguish himself from someone at the other end of a broadband line. Third, consider professions that require in-person contact. "An electrician cannot be offshored," Blinder says.

3: ENSURE INCOME FOR LIFE Traditional pensions are on the wane, and that means you'll have to do more on your own to stretch your savings over retirement. That's why economist Jeffrey Brown of the University of Illinois says that more retirees should consider an immediate annuity, which guarantees a lifetime income. Be careful: Many annuities salesmen will sell you expensive policies that have risky investment features. For more, see cnnmoney.com/annuities.



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- Retirement 2015 Fund
- Retirement 2020 Fund
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MINDS OVER MONEY

Winning Home Hitter's Game

In the second of our "Minds over Money" chats, Acorn Fund's brilliant Ralph Wang[er] he found stocks that went on to rise twentyfold—and why most of investing is just[...]

Investing is not only about buying the right assets at the right time. It's also about having rules that keep you from doing dumb things at the wrong time. Of all the great fund managers who have appeared in MONEY over the past decades, no one proved that point better (or more entertainingly) than Ralph Wanger, the wisecracking, philosophizing manager of the Acorn Fund. Wanger set out in 1970 to invest in small companies; through 2003 he did that and only that, with remarkable success. While the S&P 500 index climbed 12.1% a year, Acorn racked up an annualized 16.3%, one of the best records ever. Wanger, 72 and retired, recently met with MONEY's Jason Zweig. As usual, Wanger asked nearly as many questions as he answered—and in the process found time to explain why life is like laundry, why focus matters and what Babe Ruth teaches us about stock picking.

Q. Why do you think you turned out to be a good investor?
A. At Acorn we had a clear philosophy—to be long-term holders of smaller companies with financial strength, entrepreneurial managers and understandable businesses—and we stuck to it. Sticking to it is key. Richard J. Daley's one ambition was to become mayor of Chicago. Not President, not ambassador to the U.N., just mayor of Chicago. And since he already was mayor of Chicago, his life was much simpler. I thought that was worth emulating.

Q. Anything else?
A. I had always thought that to be a good investor you needed to hit a lot of singles and not strike out often. I was wrong. Investing, especially in small companies, is a home-run-hitter's game.

Q. When did you learn that?
A. Late '70s, maybe. The point is, 99% of what you do in life I classify as laundry. It's stuff that has to be done, but you don't do it better than anybody else, and it's not worth much. Once in a while, though, you do something that changes your life dramatically. You decide to get married, you have a baby—or, if you're an investor, you buy a stock that goes up twentyfold. So these rare events tend to dominate things. At Acorn, for example, I might have owned 300 stocks at any given time; most disappeared into the laundry basket. But 10 might go up many times in value, and they made all the difference.

Look, how many home runs did Babe Ruth hit in his best year?

Q. Sixty, in 1927.
A. How many times did he strike out that year?

Q. Darn, I used to know that. I think it was...
A. Why don't you know?

Q. Uh, because when you hit that many home runs, it doesn't matter how many times you strike out.
A. Exactly. You're a great straight man.

Q. Thanks. So how many times *did* Babe Ruth strike out?
A. Don't know. Not interested. It's the winners that count. You want to have big positions in your winners, and the losers are trivial, eventually.

Q. But you can't just run out and find a stock that's going to rise twentyfold. No one can see that clearly into the future.
A. If you're looking for a home run—a great investment for five years or 10 years or more—then the only way to beat this enormous fog that covers the future is to identify a long-term trend that will give a particular business some sort of edge.

Q. For example?
A. A $600 PlayStation now has more computing power than you could have gotten 20 years ago for $100,000. So you don't want to invest in the computing power itself; those prices keep dropping. You want what's downstream from the technology. Years ago I bought International Game Technology, which took a simple microprocessor, packaged it with coin slots, called it a slot machine and sold it to casinos for $8,000. It was a great stock.

Q. Are the principles of investing helpful elsewhere in life?
A. Being disciplined, being honest, having a set of rules and following them no matter what, thinking long term, controlling your emotions—these are all useful. But only so useful and only in part of life. You don't want to treat your wife or your kids like an investment. I mean, you don't want to say, "Kid, you got a D-minus in English. I'm selling you." That doesn't work. **$**

Editor's note: In 1927, Babe Ruth struck out 89 times.

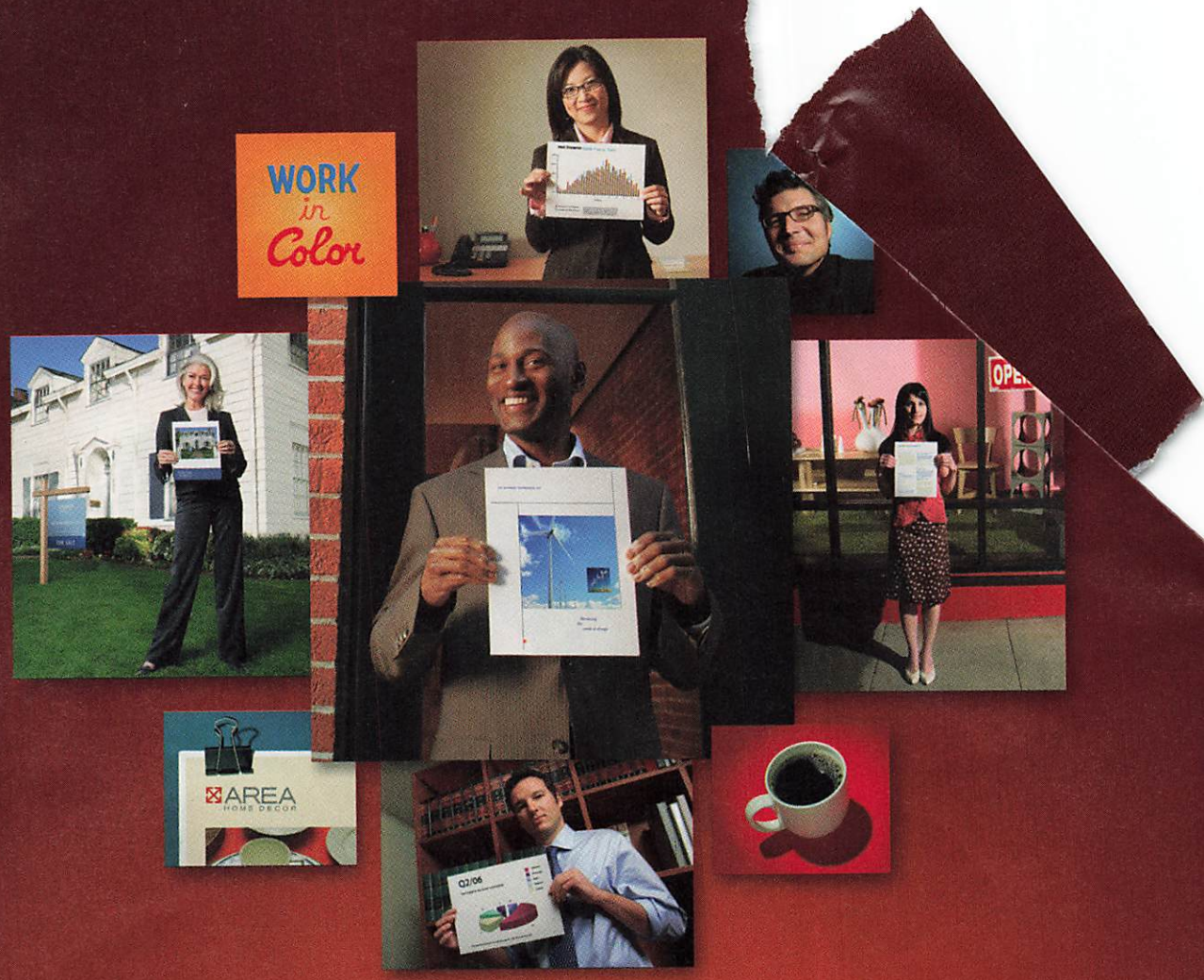
FEEDBACK: *investor@moneymail.com*

Icon by Christoph Niemann

PHOTOGRAPH BY **CHRIS BUCK**

Wanger at his Chicago office with an unofficial adviser

"At any given time, I typically owned 300 stocks. Ten might soar, and that made all the difference."



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THE FUTURE HAS FOUR DOORS

BY SAM GROBART

The big sedan is back. New models from the likes of Chrysler and Toyota offer surprising style, performance and luxury at less than luxury prices.

5 top full-size sedans rated »

It wasn't that long ago that a well-appointed SUV was the only vehicle worth considering if you regularly needed to haul a family or a golf foursome and wanted to do so in reasonable comfort and style. A minivan? Please. We said style. A full-size sedan? After luxury brands like Lexus or Mercedes—whose big models are just getting warmed up at a sticker price of 60 grand—your choices were basically confined to boring barges best suited to rental fleets.

But that was then. Rumbling around the suburbs in a fuel-guzzling truck suddenly seems far less appealing, politically or economically, than it once did. Crossover SUVs, built atop a passenger car chassis, have solved some SUV image problems. But they still feel like the compromise they are: a truck with "car-like" virtues.

There's a solution. Even as the SUV underwent its identity crisis, mass-market car makers were getting back to work on th[illegible] and the latest [illegible] like Buick and Ca[illegible]ed large sedan, new entries, and new [illegible] and DaimlerChrysler ha[illegible]players innovation to the field. The [illegible] brands' top-shelf sedans all offe[illegible] and performance that's much bette[illegible] merely car-like—usually for well under $50,000. Only one of them, though, gives you the most car for the dollar. To find out which, you'll need to read on.

5th place

Cadillac DTS

$54,420 AS TESTED | 4.6-LITER V-8/300 HP | 17/24 MPG

"And do you have a preferred route to the airport, sir?"

You may find yourself asking that when you sit down in one of the most commonly used models in dial-a-car fleets. Cadillac has undergone a resurgence in recent years, what with its lauded STS, CTS and SRX models, but sadly, the praise must stop here. The DTS (neé Sedan DeVille) is the last big-engine/front-wheel-drive model in the company's lineup, and after driving it, you can see why all the other models are either rear- or all-wheel drive. The problem with front-wheel-drive cars is a condition known as torque steer: When too much power is sent to the front wheels (which also have to steer the car), the wheels pull to one side as you accelerate. With a 294-hp V-8 under its hood, the DTS sends a lot of power to the front end, and you can find yourself gently fighting the steering wheel to keep the car in a straight line.

The DTS is also one big hunk of iron. On the upside, that means its back seat is the roomiest of the bunch here, and the trunk could easily swallow, say, all your daughter's go-to-college luggage. But it also rides like a big hunk. The suspension is tuned more for soaking up potholes than for taking corners, which leaves you feeling disconnected from the road. The interior is nice—fit and finish are excellent, and materials are suitably fancy—but at over $54,000 (the highest sticker in this test) it had better be. So unless you spend more time in the back seat of a car than the front, there are better choices.

15 DESIGN	+ 18 LUXURIES	+ 14 PERFORMANCE	+ 21 QUALITY	+ 0 VALUE BONUS	= 68 TOTAL
That she blows!	Nice extras include a heated steering wheel and a rear-window sunshade.	Cadillac brags that it tests some of its cars on the famed Nürburgring circuit. Funny: They never mention the DTS.	Remember when Cadillac's motto was "Standard of the World"? It's not quite there yet, but it's close.		

Buick Lucerne CSX

$40,725 AS TESTED | 4.6-LITER V-8/275 HP | 17/25 MPG

4th place

17	+	17	+	17	+	21	+	3	=	75
DESIGN		LUXURIES		PERFORMANCE		QUALITY		VALUE BONUS		TOTAL

The best-looking Buick in years, but that's not saying much.

The Buick's amenities keep up with the competition, but they don't raise the bar.

Better than that of its DTS stablemate, but the gas pedal is extremely touchy, and the engine is just plain loud.

Some of those quality surveys aren't lying: GM has done a terrific job making everything feel solid and luxe.

Under the skin, the Buick

and the Cadillac are first cousins, as they share the same drivetrain, suspension and other mechanical components. That means torque steer is still an issue, but the Buick is the more sensible choice. For starters, it just looks better: The Lucerne has a pleasing design that borrows a little from Lexus and a little from Volkswagen but manages to pull it all together into a perfectly respectable package. Behind the wheel, the Lucerne feels less pillowy than the DTS, and the shorter wheelbase is a plus—you feel as if you could actually steer this car without having to plan your move two blocks ahead. But since the two share the same engine, they suffer the same problems: an oversensitive throttle and a poorly muffled engine. The slightest touch of the accelerator causes the V-8 to roar unpleasantly and the car to jerk ahead.

Inside, the Buick continues the tasteful-if-forgettable theme. There's a nice center console that's easy to use, and various k and switches feel like they came from a expensive car. On the other hand, the could use more wraparound support "on" them rather than "in" them), an unilluminated gauges are almost ille the daytime. In an era when even p Accords and Camrys have backlit that are crystal-clear at any time there any reason not to expect th a car that costs thousands more

HOW WE RATED THEM

Each car was judged in four categories: design, luxuries (features and their execution), performance (driving characteristics) and quality (fit and finish, materials). Each category has a maximum of 25 points. To account for price, we awarded bonus points in reverse order of price (the least expensive car received four bonus points, while the most expensive received none).

FEEDBACK: *sgrobart@moneymail.com*

3rd place

Acura RL

$53,200 AS TESTED | 3.5-LITER V-6/290 HP | 18/26 MPG

If it weren't for price, the Acura would have tied for second. It's a compelling package, mixing a superb all-wheel-drive system with a 290-hp V-6 that rivals some V-8s for both horsepower and smoothness. Another reason to like the Acura: its pricing and options structure. When you buy an RL, you can choose to have navigation or not. Other than picking the exterior and interior colors, that's it: There are no other options to speak of. A leather interior, sunroof, a six-disk, in-dash CD system (even a pre-emptive braking system that will slow the car down when it senses an imminent collision) are all included as standard. In an industry that loves to nickel-and-dime customers over options ("Oh, you'd like the self-dimming mirror? That's part of the $3,200 'technology package' "), Acura's approach is a refreshing change.

So why didn't it win? Size, for one thing. The RL is the biggest sedan Acura makes, but it's not that big overall (as we noted in a comparison last year, the Acura TL is nearly as big but costs less). Rear-seat space is at a premium, and the trunk is considerably smaller than th

the styling. Like

inoffensive but

can walk past thi

completely miss

At $53,500, the Ac

more than the nex

kind of money cou

things (see The Lon

out what). If prices

tough call, but since they aren

recommend the RL when others do an excellent job and cost far less.

18	+ 22	+ 19	+ 22	+ 1	= 82
DESIGN	LUXURIES	PERFORMANCE	QUALITY	VALUE BONUS	TOTAL
exterior's a bit too , but the cockpit ce place to be.	From traffic-avoiding navigation to pre-emptive braking, the most complete package available.	A terrific engine, with an excellent AWD system, but it's no match for that of the winning car.	Like most Acuras and Hondas, the RL leaves little to fault here, but the center console seems a bit too plastic.		

Avalon

3.5-LITER V-6/268 HP
22/31 MPG

Considering buying a

Lexus ES350? Stop. Buy this Toyota instead. Made by the same company, it's a roomier car that will save you $5,000. If you want to know why Toyota is doing so well in almost every corner of the auto industry, this would be a good place to start. The Avalon is a spacious, comfortable and capable sedan that sets new standards in the class for fit and finish and interior comforts. Heated seats are commonplace, but the Avalon ups the ante by offering cooling seats well. Voice-activated controls? Yep. Radar-based cruise control used to be availa only on cars costing almost twice as m and yet here it is in the Avalon.

So much praise, and yet a s d-place finish. What gives? The Avalo rfect in almost every way, save pa t's a detached driving experience. ing works well, but you feel the oing all the driving and you're mere senger.

On the highway, you could engage the tive cruise control and almost curl up a novel while the car drives you to yo tination. The Toyota provides unpara levels of refinement: The cabin is ne silent, the transmission shifts imper the steering is hyper-accurate. You but admire it, but you don't love it. sion is not a word you'd normally a with this category, but it's why the has it takes first place.

20 DESIGN
The interior should be taught at Big Sedan School; the exterior, less so.

+ 20 LUXURIES
What exactly do you get in a Lexus that you don't get here?

+ 18 PERFORMA
A polite vehicle happily transpo somewhere—j let it do all the

23 QUALITY
We get it, Toyota, you're really good at this whole building-cars-rock-solid thing. Now stop showing off.

+ 4 =

VALUE BONUS

Money

the WINNER

Chrysler 300C

$41,035 AS TESTED | 5.7-LITER V-8/340 HP | 17/24 MPG

Unless you've been out of the country for the past few years, it's unlikely you've missed the hype surrounding Chrysler's full-size sedan. The 300C still turns heads when it rolls down the street (really: driving around New York in a black one caused everyone from teens to seniors to swivel), and it still has auto designers running back to their drawing boards (Ford's Five Hundred sedan is due to get an earlier-than-scheduled makeover to provide a more dramatic look, says the automaker).

But what gets drowned out in all the talk of the 300's appearance is how good a car it is (one of the first and best fruits of the oft-maligned Daimler-Benz/Chrysler amalgamation). When you sit down in a 300 and close the door, there's an unmistakably Teutonic *thunk*. And there's more to it than that: The 300 shares its suspension and transmission design, steering, interior controls and four-wheel-drive technology with Mercedes-Benz's last-generation E-Class (which was no slouch itself). That's the surprise of this car: You could write it off as a superficial styling exercise, but then it wows you by also being a serious driving machine.

There are many different kinds of 300 you can buy. The base models, with their six-cylinder engines, are nice, but the reason the 300 takes the blue ribbon here is that Chrysler had the crazy idea of stuffing a 5.7-liter V-8 under the hood. With 340 horsepower, the "Hemi" provides the 300C with almost as much thrust as its rich uncle, the Mercedes-Benz S550. That kind of power is impressive in a
it in what should
sedan is astonishi
it's surprisingly nim but to find
reveals the tight stee large
Mercedes (and now Ch rge,

The Chrysler is also tr
equipped: navigation, Blu
parking sensors and all-whe
available. The 300 falls short
cockpit. The dash is utilitarian,
sharp lines and hard plastics are
of bean counting over design. The
you're less likely to focus on the aes
the dashboard when you're cruising
two-lane road and that Hemi V-8 is wa
under the hood. The 300C started out a
looker, but it also has the goods. It wins.

+ 20 LUXURIES
A surprisingly well-equipped car: Blue-tooth, AWD, parking sensors and a simple navigation system.

+ P CE
Totall ounts of po rtly chan wheel ur contr te

+ 19 QUALITY
A low score primarily due to the interior. Fit and finish are fine, but the materials are basic and a little harsh.

+ 2 VALUE BONUS

= 86 TOTAL

Big, bc
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car to
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thoug

Ariel Fund

★★★

Overall Morningstar Rating™ as of 10/31/06 (out of 385 domestic mid-cap blend funds)

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SM

Life at 8 Knots

Stefanie Alley is proud to be a lobsterman. So are her son and her husband. As were his fathe and his father's father before him. But they wonder: Will th price of upholding tradition be their own financial secur

By Paul Keegan
Photographs by Rob How

Stefanie Alley became a lobster day her husband fell off his bi a freak accident about 10 yea Rick's foot slipped off the pedal an in the spokes, and he went flying handlebars, injuring his shoulde and their two children depende income, and hauling lobster tr impossible with one arm in a became captain of The Stefa lobster boat Rick had name

Stefanie had worked on hand (called a sternman ir times in the waters off Li Maine, where the coupl own vessel was a much had to decide where to

of bait to use and how to navigate the often treacherous wind and tides. Fortunately, she loved it—so much so, in fact, that a few years later she bought her own boat and, at age 45, became the first female fishing captain in the history of their tiny island, located two miles off the coast of Mount Desert Island.

Today, Stefanie is 54, Rick is 56, and the Alleys enjoy a thriving family business that ncludes their son Jeremy, 27 (daughter Ashley, 22, attends college in Colorado). Most days, from spring until fall, the three f them head out to sea at dawn, each in eparate boats, and don't return until after ree in the afternoon. Rick goes alone, it Stefanie and Jeremy each take along ernmen as helpers.

While summer tourists may regard it romantic, lobstering is one tough busi- ss. The wire-mesh traps are heavy, an currents tricky, boat engines cranky the behavior of lobsters unpredictable. alities occur more than twice as often in mercial fishing as in other industries— obstermen, ever-present dangers ude getting tangled in loose lines on and being pulled overboard by their s. "It's not a nine-to-five job, that's for ah," says Rick in his heavy down-East nt. Stefanie says she finds the work as ning mentally as it is physically. "When re not doing it, you're thinking about hen my traps are in the water, I'm tantly wondering how they're doing." he Alleys' way of life is one that nearly disappeared from the modern rican experience: The family's career

We save as best we can, but once that money is gained, we don't know what the future will bring"

s determined not by their skill at over clients or placating their by their ability to live in close with nature. Still, their financial es are familiar to any business independent contractor whose income fluctuates with seasonal conditions or an unpredictable market. The Alleys earn nearly all of their income between May and December, and those funds have to last the year. The size and price of their catch varies while expenses (especially fuel and bait) are so high that their seemingly comfortable gross income of $120,000 last year was chopped in half by the costs of doing business.

Fortunately, Rick and Stefanie are extremely thrifty and are content with a simple life. You'll see no flat-screen TVs or designer clothes in the cozy two-bedroom house they bought for a pittance in the '70s. They rarely eat out and can subsist for weeks at a time on the ducks Rick shoots, the bluefish and mackerel they catch and, of course, all the lobster they can eat. Rick earns extra income from his paintings of nature and maritime scenes, while Stefanie offers lobster-boat tours to summer folk.

And yet there is no denying that after a long day of hauling traps, the Alleys are feeling more aches and pains than ever. They have no disability insurance, a tiny life insurance policy and only $126,000 set aside for retirement. It's enough to make even tough lobstermen like the Alleys wonder whether resourcefulness and stoicism will suffice to see them through. "We save as best we can during the year," says Stefanie, "but the truth is, once that money is drained, we honestly don't know what the future will bring."

Little Cranberry Island is only a mile and a half long and has a year-round population of 65. It has one store, which all but shuts down in winter; residents go "off island" to buy groceries, usually on the mail boat that makes several runs daily. It has a two-room schoolhouse for kindergarten through eighth grade; high schoolers trek to the mainland. There are no cops, only a constable who doesn't have the power to arrest anyone. There is a fire truck but no paid firemen. The place can feel overrun in the summer, when the population swells to 400, and desolate in the winter, when the only restaurant is shuttered. There are no beauty salons,

THE LOBSTERMAN'S TALE With her sternman Nichole, 20, at her side, Stefanie sets out before dawn each day, on a boat named after her daughter and mother, to check her traps and haul in her catch. More than eight hours later, with the afternoon sun high in the sky, they're ready to head back home.

banks, movie theaters or fast-food joints—much less a Starbucks.

Surviving on the island requires inhabitants to be hardy, independent and self-sufficient, adjectives that describe the Alleys well. A love of nature helps too. That's what drew Stefanie here on a student conservation program in 1975 after she graduated from college in Colorado. The beauty and simplicity of life on Islesford, as the locals call the island, was so alluring that she returned the following year and found a job weighing lobsters on the dock. That's where she met Rick. His father and both of his grandfathers were lobstermen, so it was pretty much a foregone conclusion that he would be a lobsterman too. There are hardly any other jobs on the island, but Rick says, "I wouldn't have wanted to do anything else even if I *did* have a choice."

Stefanie was immediately attracted to Rick's artistic side. He went to college at the Portland *School* of Art and was a skilled painter of birds and landscapes. They married in 1977 and bought their small one-story house for $17,000 from Rick's grandfather. Stefanie was Rick's sternman but took a leave from lobstering when the children were born (Jeremy in 1979 and Ashley five years later).

The Alleys remember many lean years as they struggled to support their young family. Rick brought in extra cash during the off-season by fishing for shrimp and scallops. Stefanie helped out by taking part-time jobs in construction, installing floors and hanging Sheetrock. She gave up luxuries like visits to her family's lakeside cabin in Minnesota, even when the isolation of the island became oppressive.

By the mid-'90s, however, around the time of Rick's bicycle accident, something strange was happening in the lobster kingdom: The catch was skyrocketing. The 39 million pounds of lobster trapped by Maine fishermen in 1994 was nearly twice the historical average. By the end of the decade, the bounty had fully tripled. Nobody knows for sure why *this happened*

(Rick suspects commercial overfis
cod, a notorious lobster predator)
result was that Stefanie's entry in
time lobstering was auspicious

Stefanie was so well respecte
lobstermen that nobody made
about a woman joining their r
including Stefanie, who refe
as a lobsterman. Her first bo
starter kit, a used 21-footer
$7,500. By 2000 business w
for Stefanie to buy a new 2
she christened the Ashle
her daughter and moth
of $60,000, the boat w
she had to tap into Ric
and borrow $20,000

Today it all seems
the foggy mornings
only her radar and

toward the traps she's dropped in curving lines along the shore. After a while, the radio crackles with the voices of other lobstermen grumbling that they've had enough. "It's a real strain on your eyes," she says, and worries that she should head home too. "But then the fog starts burning off, and you can see Baker's Island or just the tops of the trees." That's when she knows she's won—against the elements and her own nagging doubts. With a burst of energy, she starts hauling traps, wondering how many lobsters she's caught today.

Despite the record harvests along the Maine coast over the past decade, lobstering remains a fickle business. Weather, mechanical problems, lobster prices, of which bait costs and the mystery deign to exclusive lobster will risky endeavor make it a highly

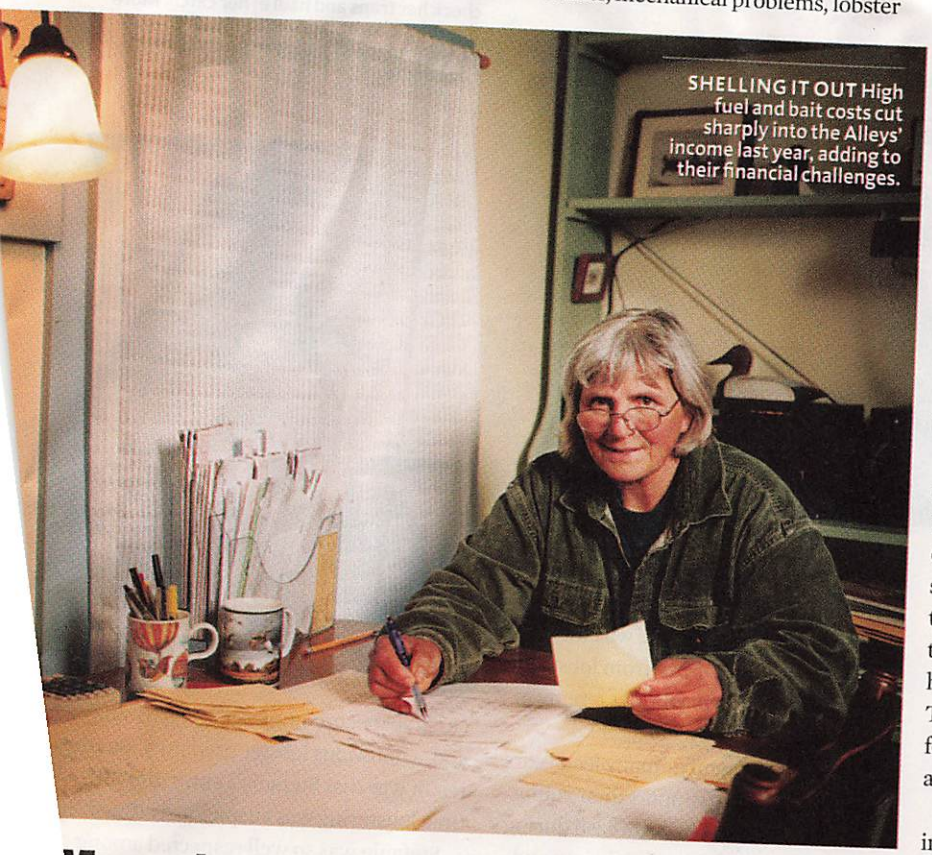
The fluctuat[ion] income reflects t[imes]. income rose from a[bout] $80,000 in 2003, then [per]cent last year. Similarly, the ca[sh] of their company, Stefanie [fell] $115,000 in 2005 to $71,000 l[ast] (Stefanie and Rick own about h[alf] assets; Jeremy owns the rest.)

Part of the discrepancy can be attributed to lobster prices and the size of a season's catch. Last year the harvest was up, but prices dropped due to oversupply. Then too, Rick had to fork over $60,000 in 2005 on a major renovation of the 27-year-old Stefanie—a lot of money, sure, but far cheaper than buying a comparable lobster boat new, which could run $200,000.

To make sure they have enough cash to pay their bills during the off-season, Rick and Stefanie pay themselves a salary of only about $1,000 each month. They supplement that base income by giving themselves periodic dividends based on the company's performance. This strategy has enabled them to build a good cushion: They have about $35,500 in cash reserves for the business and $43,000 in CDs and bank accounts for their personal use.

They do have to manage about $10,000 in debt, including a home-equity loan that helped pay for the boat renovation and a loan for their 2003 Saturn. But their assets far outweigh these liabilities—property worth about $300,000 (their house, plus a woodlot they bought as an investment several years ago) and their share of the lobstering business ($180,000).

What really concerns Stefanie, though, is the future. "I would like to feel more comfortable about retirement," she says, worrying that their $126,000 IRAs won't be nearly enough. Rick, who expects to keep fishing until a ripe old age, is more concerned about their lack of disability insurance: "What will happen if we get injured or something? What will we do?"



SHELLING IT OUT High fuel and bait costs cut sharply into the Alleys' income last year, adding to their financial challenges.

Managing on an Up-and-Down Income

Whether it's lobstering or consulting, a job with uneven income can wreak havoc on your finances. These steps can help smooth out the bumps.

ILD A CASH CUSHION

culate your basic monthly g expenses, such as housing, s, food and utilities. When- your income exceeds that nt, put 75% of the surplus d an emergency fund and e remaining 25% for dis- ary purchases, suggests l planner Shannon d. Your goal is to save hs of living expenses can draw on to pay the ng slow periods.

BUDGET FOR TAXES

If you're self-employed, skim off 30% to 35% of each paycheck and put it in a money-market fund so you have enough tucked away to pay quarterly estimated taxes. Most self-employed taxpayers end up owing 15% to 20% of their income in taxes, plus 15% in Social Security taxes. Get in the habit of thinking of that $3,000 check as really just $2,000 so you don't spend it before your tax bill comes due.

GENERATE EXTRA INCOME

Developing a hobby or skill into an income stream not only helps support your bottom line but keeps you active and productive when your main gig hits a lull. For example, when lobstering season is over, Rick paints and Stefanie does carpentry work to bring in extra money. For Lunsford, moonlighting as a software engineer led to a number of new referrals for his financial planning business.

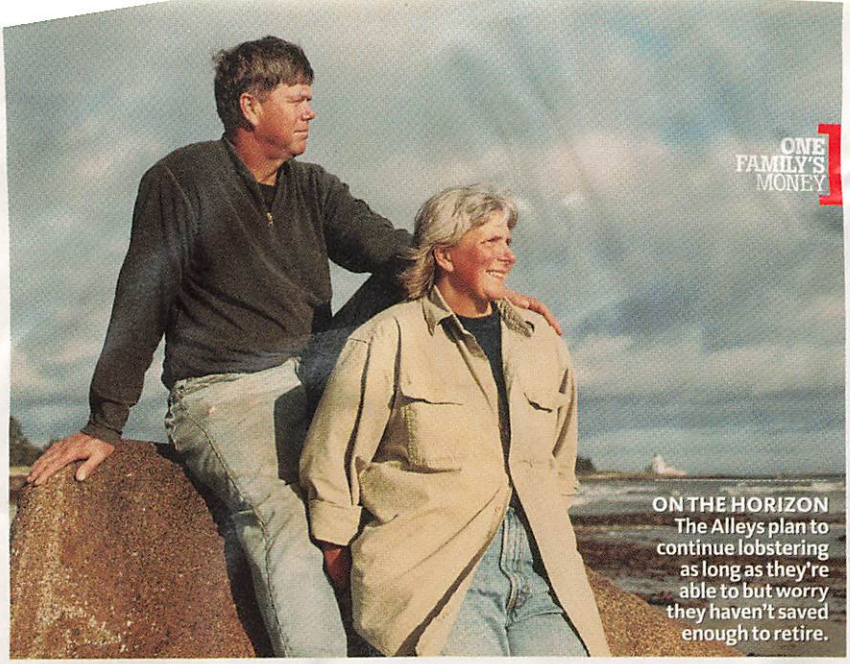
Your daughter wants to enlist.

After taking one of the deepest breaths of your life, how do you respond?

MAKE IT A TWO-WAY CONVERSATION. GET THE FACTS.

TODAYSMILITA

ARMY
MARINE CO
NAVY
AIR FOR
COAST
•ACTI



ON THE HORIZON The Alleys plan to continue lobstering as long as they're able to but worry they haven't saved enough to retire.

The Advice

MONEY asked financial planner Anne Gibson in nearby Ellsworth, Maine to meet with the Alleys. Her suggestions:

> HAVE A WORST-CASE PLAN Rick has good reason to be concerned about disability: His father had to give up his lobstering business at age 48 when he found out he was diabetic and had high blood pressure. But finding an insurer who will write a policy for a lobster fisherman is tough. To help, Gibson contacted brokers Keith and Judith Maurer of Low Load Insurance Services in Tampa, who were turned down by six carriers before they found one that would offer coverage to the Alleys. The price: $705 a year for Rick and $660 a year for Stefanie for a policy that would pay a monthly benefit of $1,000 for two years.

If either Rick or Stefanie should die, of course, the consequences would also be devastating. So Gibson recommends that the couple increase their life insurance from their current level of just $10,000 to $200,000 each for a 10-year term policy. That would cost $300 to $400 a year for Stefanie and $520 to $740 a year for Rick.

> MAKE SAVINGS WORK HARDER While Stefanie and Rick are up at the crack of dawn hunting for lobsters, their money is lounging around doing nothing, earning anemic 0.6% at the local bank. To land better rates while still keeping their funds liquid, Gibson suggests the couple shift $3,000 of personal savings and about $6,000 of their business account to a money-market account, recently paying around 4.5%, at a discount brokerage such as Schwab or TD Ameritrade. The planner recommends they put the remainder of their business funds in three- and six-month CDs. These steps ought to generate about $2,000 in additional income over a year's time.

> PUMP UP THE RETIREMENT PLAN Gibson urges the Alleys to consider shifting about half of the $126,000 in their IRAs, now in fixed-income investments, into stock funds to boost their returns and provide a hedge against inflation. She'd divide that money as follows: 70% in large-cap funds, 15% in small-cap funds and 15% in international funds. The other half should stay conservatively invested in fixed-income vehicles, mostly CDs.

Gibson also urges the Alleys, who are each currently putting $3,500 a year into their IRAs, to bump up their contributions. Stefanie should be setting aside $5,000 in a Roth IRA, the planner says, while Rick should set up a Simple IRA that would allow him to contribute up to $12,500 a year. They should be able to afford these increases in contributions using the cash balance from their business, Gibson says. "If they follow this plan, by the time they reach age 66, Social Security will kick in and they should be able to cut back their lobstering work to half time," Gibson says.

Rick and Stefanie tell Gibson they will give her advice some thought. Then, in a gesture of thanks, they toss a few lobsters into a bucket and head to the island's bed and breakfast, the Braided Rugs Inn, where Gibson is staying before taking the mail boat home in the morning.

The proprietor drops the lobsters into a pot of boiling water and melts some butter. It's the end of the season, so the shells are soft and the claws tender and sweet. Rick and Stefanie provide a master class in shucking a lobster, devouring every morsel of meat. In the coming weeks, they will feast on the five eider ducks Rick shot this morning. Such resourcefulness reveals how their traditional way of life has managed to thrive for yet another generation; this small island has all the wealth these two fishermen will ever need. **$**

FEEDBACK: *money_letters@moneymail.com*

+INCOME

Lobstering	$[illegible]
Fishing	[illegible]
Interest, dividends	[illegible]
TOTAL	[illegible]

–OUTGO

Savings	[illegible]
Income taxes	[illegible]
Groceries	[illegible]
Telephone	[illegible]
Heating fuel	[illegible]
Lobstering expenses	[illegible]
Clothing	[illegible]
Utilities	[illegible]
Vacation	[illegible]
Car expenses	[illegible]
Housing (upkeep, taxes)	[illegible]
Medical expenses	[illegible]
Clothes, books	[illegible]
Charitable donations	[illegible]
TOTAL	[illegible]

+ASSETS

House, woodlot property	$295,0[illegible]
Lobstering business	180,000
IRAs	126,000
Bank accounts (business, personal)	78,500
2003 Saturn, personal property	25,000
TOTAL	**$704,500**

–LIABILITIES

Loans (home equity, car)	$7,772
Medical bills	2,509
TOTAL	**$10,281**

=NET WORTH **$694,219**

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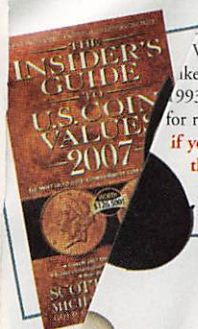

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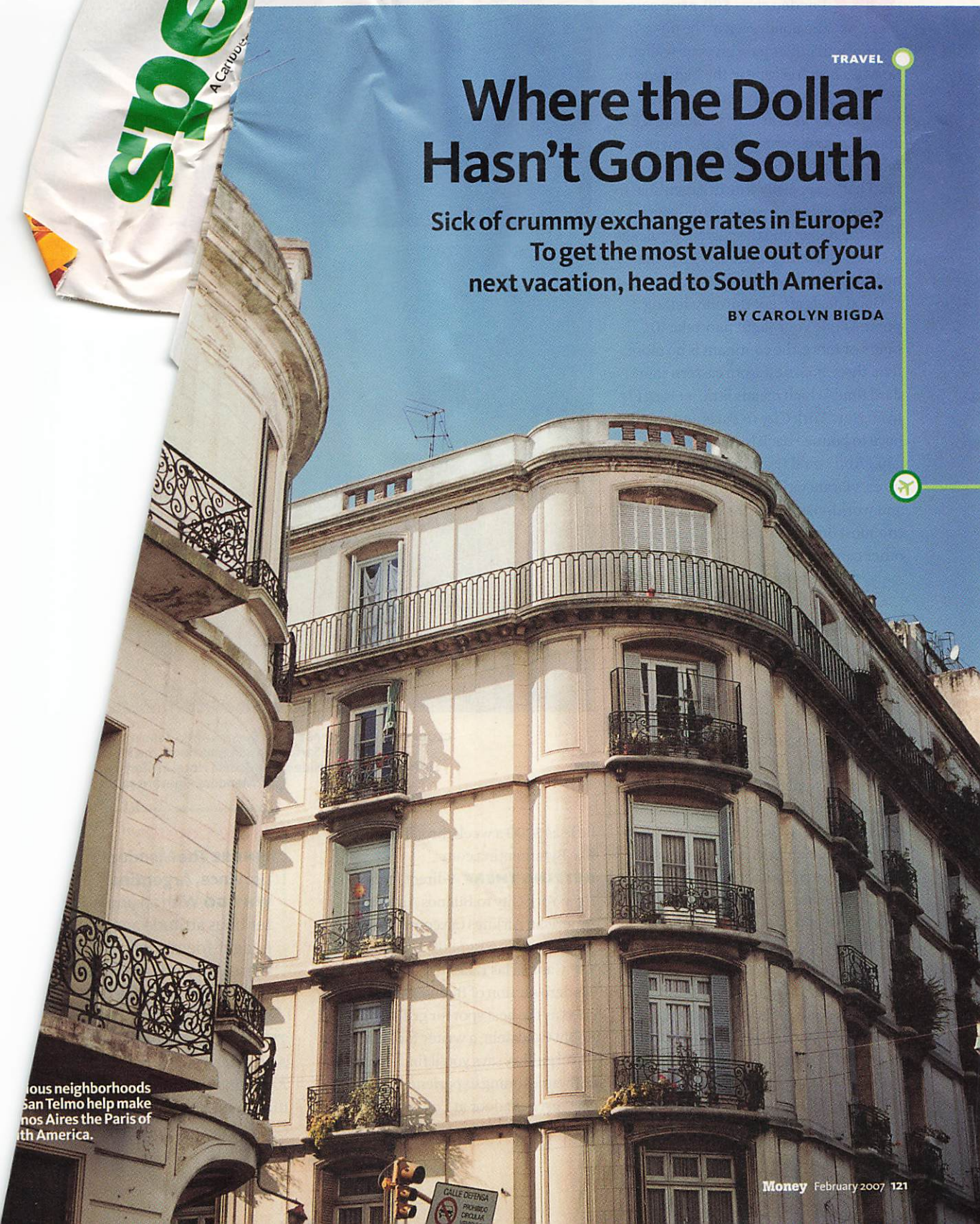
TRAVEL

Where the Dollar Hasn't Gone South

Sick of crummy exchange rates in Europe? To get the most value out of your next vacation, head to South America.

BY CAROLYN BIGDA



lous neighborhoods San Telmo help make nos Aires the Paris of th America.

When a taxi from the airport in London costs $90, a trip across the pond, even in the off-season, will inflict pain on your wallet. So will a beach escape in the high season in the Caribbean. But there is a way to vacation overseas at a reasonable price. Just turn your sights to South America, where even a weak U.S. dollar takes you far. That's especially true in Argentina: In 2002 the country's peso was de-pegged from the dollar, and the currency quickly lost two-thirds of its value. A steak that once cost $30 now goes for $10.

Good deals are not the only selling point. While your flight may take 10 hours or more, the continent is no more than three hours off from eastern standard time, which means little jet lag. (Fly from New York City to Paris and you'll have to bounce back from a six-hour gap.) And you'll find warm temperatures, vibrant cities, beautiful wilderness and world-class wine. It's enough to make the most devout Europhile forget that other continent.

CLOCKWISE FROM UPPE
Bar Sur in the Sa
in Patagonia; poolside

João Canziani

City Life

WHERE Buenos Aires
WHY GO The feel of a European city without the steep prices

THE DEAL Sip coffee for less than a buck at the popular Café Tortoni, zip around in the city's signature black-and-yellow taxis for what you'd pay to take the subway in New York City, or tour the Museo de Arte Latinoamericano de Buenos Aires (www.malba.org.ar) for $3 or so. Visit in late February and early March to catch street performances and concerts at the Festival Buenos Aires Tango (festivaldetango.com.ar), often for free.

WHERE TO STAY Hotels are one of the few things that can be costly, so skip the international chains and stay at boutique shops, such as the Art Hotel (arthotel.com.ar), for $125 or less a night (based on double occupancy). If you plan to stay for a week or more, rent an apartment for as little as $200 a week through agencies like Bytargentina.com.

GETTING THERE A direct flight from New York City to Buenos Aires on American Airlines (aa.com) in early April recently cost $800 round trip.

TIP Cabaña las Lilas in the Puerto Madero section of Buenos Aires is often cited as the best spot for grilled beef. But Robin Goldstein, a writer for Fodor's travel guides, says you'll find a more authentic dining experience at half the cost just next door at La Caballeriza (address: Alicia Moreau de Justo 580).

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WHY
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Valley of 30

THE DEAL Set at
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Argentina's wines, in
ture Malbec. Wineries
Catena Zapata (catenaw

vi of Argentina—offer free
you must make an appoint-
ıce. Most hotels will help
ıver (about $70 a day).
STAY At the Finca Adalgisa,
winery (fincaadalgisa.com.ar),
t at $100 a night, including
and the use of bicycles.
THERE Flying from Chicago
oza costs about $900.

TIP Grapevine Wine Tours offers deluxe tours, from a day in Mendoza ($147) to nearly two weeks in Chile and Argentina ($5,778). Visit thegrapevine-winetours.com for good information in English, even if tours are not your thing.

AS LONG AS YOU'RE THERE... Even though the exchange rate is not as favorable in Chile, think about flying across the Andes to visit the Colchagua Valley, named wine region of the year in 2005 by *Wine Enthusiast* magazine. Sign up for tours of the valley's wineries, including award-winning Montes (monteswines.com), for as little as $35 a day through rutadelvino.cl. A round-trip ticket from Mendoza to Santiago on LAN Airlines (lan.com) is $240. Rooms start at $195 a night at the Hotel Santa Cruz (hotelsantacruzplaza.cl).

The Natural World

WHERE **Parque Nacional Los Glaciares, Argentina**

WHY GO One of the most breathtaking sites in all of South America is the Perito Moreno Glacier in Southern Patagonia.

THE DEAL Because El Calafate, the nearest town, caters mainly to tourists—who arrive in droves thanks to a new airport and the cheap peso—you could pay $300 a night or more at luxury hotels and converted *estancias* (ranches). But you can still snag "Argentine prices" if you travel in April, when demand cools and rates come down as much as 35%.

WHERE TO STAY Hotel Kosten Aike (kostenaike.com.ar) charges $150 a night during the off-season vs. $231 at other times. Rooms at the Hotel Posada los Álamos (posadalosalamos.com) drop from $253 a night to only $169.

GETTING THERE A round-trip ticket from Buenos Aires to El Calafate on Aerolineas Argentinas (aerolineasargentinas.com) is $328. Another option is a package tour. Patagonia-Argentina.com offers trips to El Calafate and the glacier park that start as low as $570 a person for three nights, including the hotel and air fare from Buenos Aires.

TIP Hielo y Aventura (hieloyaventura.com) arranges guided hikes across the Perito Moreno Glacier for about $80.

Beach Bumming

WHERE **Morro de São Paulo, Brazil**

WHY GO Sand and sea, with few crowds and no cruise ships

THE DEAL Compared with other global beach destinations, Brazil's 4,600 miles of coastline are relatively cheap. Stick to Brazil's warmer northern coast, and go during the March and April shoulder season (sporadic rain showers peak in May). You'll pay just a little more in air fare than you would flying to the Caribbean, but you'll pay far less for meals and rooms. "These are up-and-coming destinations, so hotels are not charging the high-end prices you find everywhere else," says Arabella Bowen of ShermansTravel.com. Though less glamorous than some of Rio's beaches, Morro de São Paulo offers a laid-back escape with four swimming coves and horseback riding, all a two-hour catamaran ride from the city of Salvador.

WHERE TO STAY Bungalow-style hotels such as Pousada O Casarão (ocasarao.net) and Anima Hotel (animahotel.com) charge $100 a night or less.

GETTING THERE A round-trip ticket from Miami to Salvador on TAM Airlines (888-235-9826) costs about $750. From there, catch one of five catamarans that sail to Morro de São Paulo daily from the Terminal Marítimo ($50 round trip).

TIP Want to roam the country? Buy TAM Airlines' Brazil Airpass, which starts at $572 for four flights. **$**

How Sweet It Is

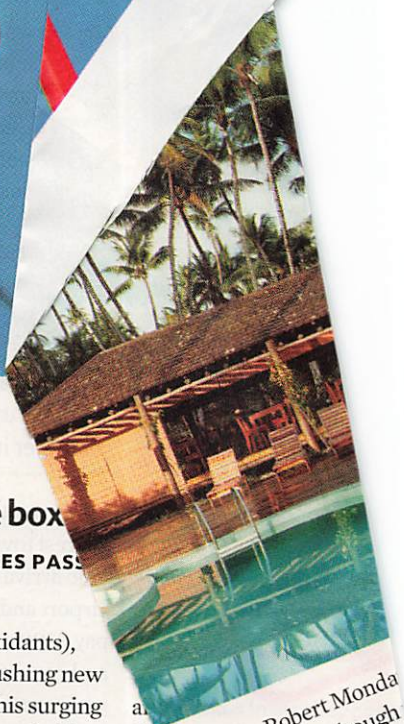
With Valentine's Day just around the corner, five box of chocolate undergo a serious taste test

BY CHARLES PASS

Forrest Gump may have remarked that life is like a box of chocolates, but he wouldn't believe just how unpredictable that box has become.

The preferred Valentine's Day gift has experienced a significant transformation since a Brit named Richard Cadbury allegedly packaged the sweet in a heart-shaped box in the 1800s. Buoyed by America's growing appreciation for gourmet foods (and by the increased awareness that cocoa is rich in antioxidants), chocolate makers have been pushing new products designed to capture this surging market. Some boutique and household brands are using exotic flavorings like curry powder and chili peppers. Consider discount retailer Target: The Signature Collection in its Choxie line features chocolates combined with sea salt and passion fruit, among other ingredients.

There's also the matter of origin. Some



Robert Monda
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WHERE TO
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GETTIN
to Mend

Cathy Hopkins/Beateworldphotos.com

This being Valentine's Day, presentation
t least as important as taste and ingre-
nts. Here too you have choices. Godiva
n't offer only its familiar Gold Collec-
f boxes; it now also has a G Collection
Platinum Collection with chocolate
rent packaging.
costlier assortment of chocolates
may not necessarily be a better one. That's
vhy the competitors in this test cover a
ange of prices. For every seeker of the
fines European truffles, there are just as
many who prefer a bar of Hershey's.
Fortunately, quality can be found at all
prices. It's a matter of digging to the
bottom of the box. $

HOW WE DID IT In keeping with the Valentine's Day theme, a panel of women ages 20 to 70 sampled the chocolate. Taste and presentation were considered, along with value.

TIP Most manufacturers package their chocolates in different configurations, especially for Valentine's Day. If your beloved prefers milk chocolate, look for a box without the dark stuff.

Vosges Haut-Chocolat
Exotic Truffle Collection
$73

Godiva
Piece Gold Ballotin

Whitman's
32-ounce Sampler
$23.99

Target
Choxie Signature Collection
$25

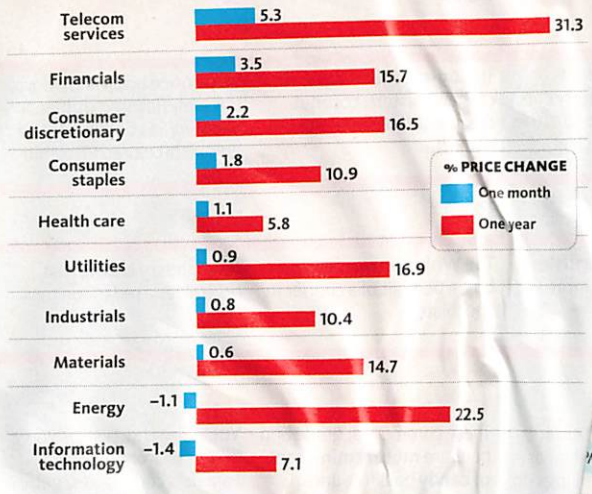
A one-pound, 32-p[illegible] collection of "truffl[illegible] with exotic spices, paprika to Mexica	**5-ounce box;** old favor- foil-covered cherry cor- more inventive fare (the berry Caramel Duet)	This **69-piece box** has it all: cashew clusters, coconut creams, toffee chips—you name it.	**12.5-ounce box;** nine pairs of uniquely flavored truffles, from Sea Salt Caramel to the greenish-colored Pistachio
$2.28		35¢	$1.39
e black pear[illegible] pired choco ginger an	**k-chocolate truffle:** an't get much more c than that.	**The Whitman messenger boy,** a portrait of a courier in chocolate	**A raspberry truffle** that resembles a red moon rock
	on the sweet side: ste as much sugar as fate. But the fillings do ote of depth.	These commercial-grade bon bons are **more reminiscent of candy bars** (Mounds, Heath) than fine chocolate.	**Yuck!** The chocolate is waxy, fillings weirdly inedible. Panelists could barely get past the first bite.
	t and refined. d box tied with bon says it all.	**As classic as you can get.** If the Smithsonian ever had a chocolate exhibit, this box would be front and center.	The box has **a clean and contemporary look,** but the bizarre-looking chocolates don't exactly say "Yum."
	have to be a te geek, just **e who appreciates rand name**	**Anyone with a nostalgic streak.** Whitman's has been around since 1842, after all.	**Perhaps preteen girls** would go for this assortment; it's more a fashion statement than a box of chocolates.
	has lost some of its t cachet over the t it **still produces a box of chocolate.**	Maybe a gift from Whitman's doesn't say you spent a lot of money, but it does say **"Here's a lot of chocolate."**	This chocolate doesn't just push the envelope—it it and send it central
	B		

Stocks

As 2006 Ends Strong, Telecom Tops Market

December wrapped up the best year for the stock market since 2003. Helped by a falling dollar, **foreign stocks** represented by EAFE returned 26.3% for the year. The **Dow**, which set yet another record in the last week of trading, posted a 19.1% gain. The **telecom** sector, up 31.3% in 2006, topped the S&P 500, thanks in part to **AT&T**'s turnaround. Shares of the company, whose takeover of BellSouth was approved in December, rose 51.4% in 2006.

S&P 500 SECTOR AVERAGES



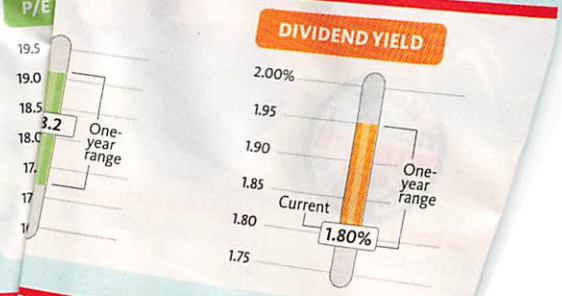
TOP-PERFORMING STOCKS

RANK	STOCK (TICKER)	PRICE	TOTAL RETURN ONE MONTH	TOTAL RETURN ONE YEAR
1	Halozyme Therapeutics (HTI)	$8.05	178.5%	342.[illegible]
2	Redback Networks (RBAK)	24.94	69.4	77.[illegible]
3	Vanda Pharmaceuticals (VNDA)	24.65	65.0	N[illegible]
4	M&F Worldwide (MW)	25.26	53.9	5[illegible]
5	InterMune (ITMN)	30.75	43.7	8[illegible]
6	SimpleTech (STEC)	12.68	40.9	2[illegible]
	[illegible]rep (AXR)	122.50	39.7	3[illegible]
	[illegible]kems (CMOS)	5.20	35.4	[illegible]
	[illegible]	67.17	33.4	[illegible]

BENCHMARKS

INDEX	LEVEL	TOTAL RETURN ONE MONTH	TOTAL RETURN ONE YEAR	TOTAL RETURN THREE YEARS[1]
S&P 500	1418.3	1.7%	15.8%	10.6%
Nasdaq[2]	2415.3	0.1	9.5	6.4
Russell 2000	787.7	1.0	18.4	13.6
Morgan Stanley EAFE	2074.5	3.2	26.3	19.7
Dow Jones industrial average	12,463.2	2.3	19.1	8.6
Lehman Bros. agg. bond index	1191.7	−0.8	4.3	3.7

S&P RATIOS



YIELDING DOW STOCKS

	PRICE	DIVIDEND YIELD
cations (VZ)	$25.90	4.5
	37.24	4.4
	85.82	4.[illegible]
	35.75	4
	55.70	[illegible]
	43.60	
	30.72	
	48.71	
M)	37.21	
	48.30	

HELD STOCKS

	PRICE	TOTAL RETURN ONE MONTH
	$37.21	6.3[illegible]
	25.90	−5.8
	29.86	1.7
	76.63	−0.[illegible]
	66.02	0.[illegible]
tions (VZ)	27.33	1
	37.24	[illegible]
	20.25	
	[illegible]	
	[illegible]	1

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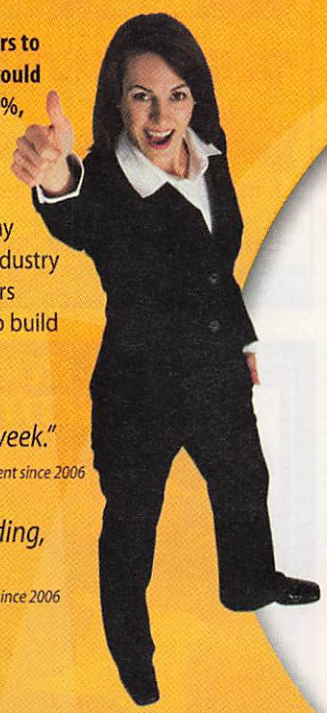

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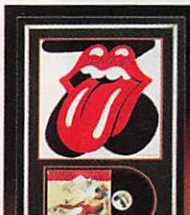

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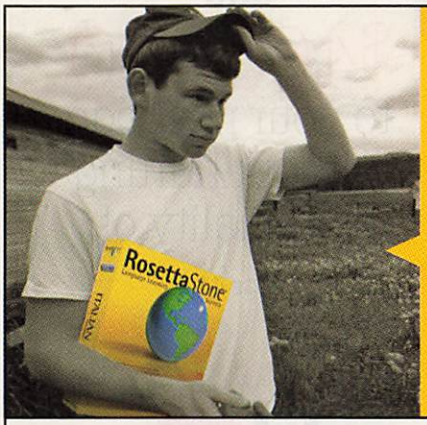

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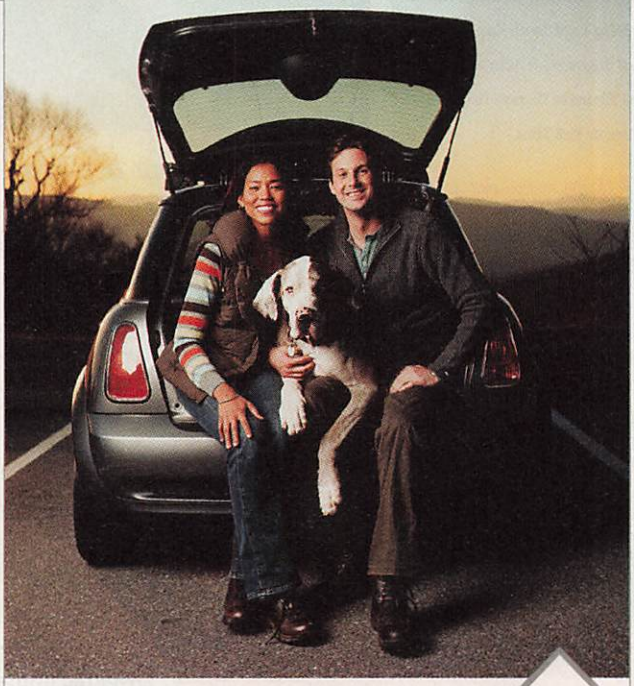

MAKEOVER

Get on track like the O'Donnells: beat the average fund

with this low-cost index portfolio. >> PAGE 72

MUTUAL FUNDS

SET IT AND FORGET IT:

Check out the **6** new funds in the MONEY 70.

>> PAGE 60

TAXES

SAVE UP TO $1,200 in taxes

thanks to this last-minute tax deduction enacted by Congress.

>> PAGE 43

RETIREMENT

add $466,000

to your nest egg without hurting your quality of life. >> PAGE 44

SAVING

add 4 percentage points

in yield with these top bank money-market accounts. >> PAGE 40

TRAVEL

Stretch Your Dollar Abroad

- Rent an apartment in Buenos Aires for as little as $200 a week. Or try another locale in the Southern Hemisphere. >> PAGE 121

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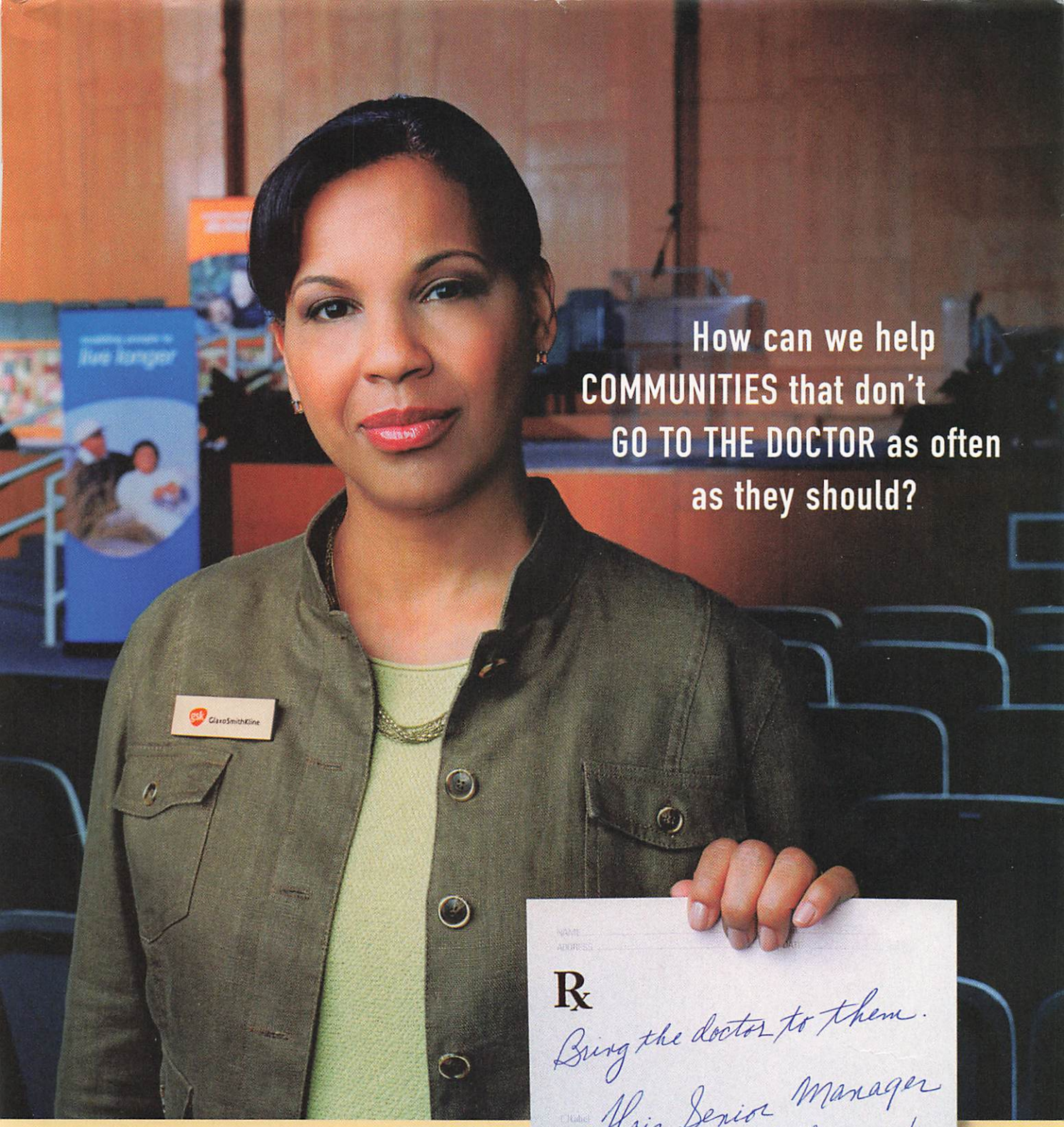
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